中信银行
CHINA CITIC BANK

以信致远 融智无限

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

Stock Code: 0998

Strive to Be the Company Offering the Best Comprehensive Financial Services

2019
Annual Report

Corporate Profile

China CITIC Bank was founded in 1987. It is one of the earliest emerging commercial banks established during China's reform and opening up and also China's first commercial bank participating in financing at both domestic and international financial markets. A keen contributor to China's economic development, the Bank is renowned at home and abroad for brushing numerous track records in the modern Chinese financial history. In April 2007, the Bank simultaneously listed its A and H shares at the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Bank aspires to become a unique and responsible enterprise offering the best comprehensive financial services with dignity and a human touch. To attain this development vision, the Bank fully leverages on the unique competitive advantages of CITIC Group in placing financial and non-financial businesses on an equal footing, and at the same time holds firm to its "customer orientation" and adheres to the business concept of "safe CITIC Bank, compliant operation, science and technology for growth, serving the real economy, market orientation and value creation". For corporate customers and institutional customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, transaction banking business and custody business. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts.

As at the end of 2019, the Bank had 1,401 outlets in 151 large and medium-sized cities in China and 6 affiliates at home and abroad including CITIC International Financial Holdings Limited, CNCB (Hong Kong) Investment Co., Ltd., CITIC Financial Leasing Co., Ltd., Zhejiang Lin'an CITIC Rural Bank Limited, CITIC aiBank Corporation Limited, and JSC Altyn Bank. CITIC Bank International Limited, a subsidiary of CIFH, recorded 38 outlets in Hong Kong SAR, Macau SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB (Hong Kong) Investment Co., Ltd. had 3 subsidiaries in Hong Kong and the Chinese mainland. CITIC aiBank Corporation Limited, a joint venture co-sponsored by the Bank and Baidu, was the first independent legal entity practicing direct banking in China. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan.

The Bank has persevered in serving the real economy, engaging in stable healthy business operation and keeping abreast with the times. Thriving through over 30 years' growth and expansion, the Bank has become a financial conglomerate with strong comprehensive competitiveness and powerful brand influence, registering more than RMB6 trillion total assets and nearly 60,000 employees. In 2019, The Banker magazine of the United Kingdom rated the Bank the 19th on its list of the "Top 500 Global Bank Brands" and the 26th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information contained in the 2019 Annual Report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the full text and summary of the Bank's 2019 Annual Report on 26 March 2020. All of the 10 eligible directors attended the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

The 2019 annual financial reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were audited respectively by PricewaterhouseCoopers Zhong Tian LLP (Special and General Partnership) and PricewaterhouseCoopers in accordance with the auditing standards of the Chinese mainland and Hong Kong SAR respectively, with both firms producing an auditor's report with a standard unqualified audit opinion.

Ms. Li Qingping as Chairperson of the Board of Directors, Mr. Fang Heying as President and concurrently Chief Financial Officer of the Bank and Ms. Li Peixia as General Manager of the Finance and Accounting Department of the Bank hereby declare and guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2019 Annual Report.

Profit Distribution Plan: Chapter 4 "Report of Board of Directors – Profit and Dividend Distribution of Ordinary Shares" of this report discloses the Bank's Profit Distribution Plan for 2019 as reviewed and adopted by the Board of Directors and to be submitted to the 2019 Annual General Meeting for deliberation. The plan proposes to pay a cash dividend of RMB2.39 per 10 shares (before tax). No scheme for transfer of capital reserve to share capital will be applied for the current year.

Cautionary note on forward-looking statements: Forward-looking statements such as future plans and development strategies contained in this report do not constitute substantive commitments of the Bank to its investors. Investors and relevant persons are kindly reminded to maintain adequate risk awareness of such statements and understand the differences between plans, forecasts and commitments.

Material risk reminder: During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank has detailed in this report the major risks that it was and may be exposed to in its operation and management and its countermeasures thereof. For relevant information thereof, please refer to "Risk Management" and "Outlook" in Chapter 3 "Management Discussion and Analysis" of the report.

For the purpose of this report, numbers are expressed in Renminbi (RMB) unless otherwise specially stated. The report is compiled in both Chinese and English. Should there be any discrepancy between Chinese and English versions, the Chinese version shall prevail.

Contents

Mission and Vision

Vision

To become a unique and responsible enterprise offering the best comprehensive financial services with dignity and a human touch

Mission

To create value for customers, seek happiness for employees, make profit for shareholders and perform responsibility for the society

Core values

Customer orientation, integrity, innovation, coordination and excellence

Brand motto

Building "trust" for long-term growth, incorporating smart services for boundless financing

Performance Overview

Operating performance:

Operating income
187.881
billion RMB

Net profit
48.015
billion RMB

Total assets
6,750.433
billion RMB

Fastest net profit growth in 5 years
7.87%

Profitability:

ROAA
0.76%

Cost-to-income ratio
27.84%

ROAE
11.06%

Net interest margin
2.12%

Asset quality:

NPL ratio
1.65%

Allowance coverage ratio
175.25%

The ratio of allowance for impairment of loans to total loans
2.90%

Customer base:

Corporate customers
742,700

Monthly active users of mobile banking APP
11.1547 million

Retail banking customers
102.2015 million

Credit cards issued
83.3250 million

Note: Indicators under operating performance profitability and asset quality are date of the Group and indicators under customer base are date of the Bank.

Li Qingping

Chairperson
Executive Director

Chairperson’s Letter to Shareholders

Dear shareholders,

2019 is a remarkable year. It marks the 70th anniversary of the PRC and the 40th anniversary of CITIC Group, the substantial shareholder of the Bank. Driven by the dream and inspiration, the Bank continued to carry out reform and innovation, deepened strategic transformation, and endeavored to create values. It forged ahead on the journey of building CITIC Bank into an “enterprise offering the best comprehensive financial services”, and achieved high-quality annual development result. At this point, I would like to report to our shareholders that for the year 2019 the Group realized net operating income of RMB187.88 billion, up 13.3% year on year; and net profit attributable to the equity holders of RMB48.02 billion, 7.9% higher than last year, both seeing the highest rate of growth in recent years; assets of RMB6.75 trillion, up 11.3% over the end of the previous year; and ratio of non-performing loans (NPLs) of 1.65%, a decrease of 0.12 percentage point over the end of the previous year. Based on the favorable performance, the Board of Directors of the Bank recommended distributing dividends for ordinary shares in 2019 at RMB2.39 (before tax) per 10 shares, and submitted the proposal to the annual general meeting for approval.

Recently, the COVID-19 epidemic has been a great concern to everyone. The World Health Organization (WHO) has declared COVID-19 a pandemic. The epidemic, to some extent, has slowed the economic growth and exerted negative influence on corporate operation. Moreover its containment is of great importance to everyone’s health. In particular, the transportation, tourism, catering and trade sectors are among the severely-hit industries, and the global financial market is also experiencing sharp fluctuations recently. In my opinion, history often rhymes. Every time when a “black swan” incident appears, there is a process of cognition and absorption, and the only thing we shall fear is fear itself. Meanwhile, we are more aware than ever that the fortune of our country is the cornerstone of our success. The positive long-term growth outlook for China’s economy remain unchanged. The remarkable institutional strengths, hugely resilient economy, enormous domestic demand, and adequate policy space provide sources of confidence for us, and also explain why the international community is optimistic about China. Risks are accompanied with potentialities. The “Black Swan” incident has brought not only challenges and pressure, but also opportunities and impetus. The epidemic will propel China to step up the pace of replacing old drivers of growth with new ones and industrial upgrading, and press ahead with the development of key sectors such as new-type infrastructure, mega consumption and mega health. Among them, the scientific and technological innovation represented by 5G, artificial intelligence (AI), data center and internet, and the improvements in the consumption pattern of education, medical care and social security are priorities for China’s economy to avoid falling into the “middle-income trap”, and achieve high-quality development. China’s economy in 2020 is still worth expecting.

In light of the Bank’s operations and management, what I have pondered over recently is how to coordinate the our work on two “fronts”, namely provide as much support as possible for the epidemic containment on the one hand, and ensure sound and steady development of the Bank on the other hand. It is undeniable that difficulties and challenges do exist, as the interest spread of banking industry narrows and the NPLs might increase. However, solutions are not out of our reach. We will further embrace the trend, respect the laws of development and return to the Bank’s original mission, namely, to serve the real economy, focus on customer services, and control operational risks. The more difficulties we are experiencing, the more confident and resilient we shall remain. We will forge ahead and concentrate on our goal with every determination, and endeavor to build CITIC Bank into an unique and responsible enterprise offering the best comprehensive financial services with dignity and a human touch. Whenever it is yesterday, today or tomorrow, we have always worked hard to press ahead and will continue the journey of value creation.

We are committed to becoming a responsible enterprise, as we embed our development to the fortune of our country, and endeavor to be a patriotic state-owned enterprise. Right after the outbreak of COVID-19, we donated RMB50 million to support the epidemic containment, patient treatment, and medical staff protection. We were the first financial institution of the nation that had donated money to fight against the epidemic through China Charity Federation. We took financial measures, such as improving payment settlement, increasing online financing, opening green channels, reducing related fees, and allocating special fund, to provide financial support for the epidemic prevention and control. In particular, we reinforced financial services and support for enterprises engaged in the fight against the epidemic and those that were severely hit by the epidemic so as to help them overcome difficulties. We proactively contacted enterprises producing medicine and medical supplies, provided financial resources for them, and reduced the financing interest rate to support the frontline enterprises in the battle against the epidemic. After knowing that Wangshunge and Haidilao, both catering enterprises, were temporarily in a financial predicament, we swiftly granted loans to support them within one week, hoping that our efforts would offer "invisible wings" to help them out and give a strong boost to their development.

All that we have done is not out of improvisation. Established during China's reform and opening-up policy, the Bank has prospered along with economic and social development of the state, and it has always been pursuing the right approach to principles and interests by serving the real economy and honoring its social responsibilities. In recent years, we have vigorously developed inclusive finance, gave full support to private enterprises and micro, small and medium-sized enterprises to help achieve high-quality development of the real economy. At the end of 2019, as per the CBIRC's assessment standards, the Bank's balance of inclusive finance loans stood at RMB204.26 billion, an increase of RMB67.9 billion or nearly 50% year on year. Behind these figures lies our commitment to our mission. As the Chinese old saying goes, in spite of difficulties, we shall be open-minded and far-sighted. We do not limit our service to granting loans. Instead, we serve customers with the aim of meeting enterprises' financial needs at various stages of development. A Chairman of a Shenzhen-based private enterprise engaging in electronic technology expressed his gratitude for us in this way: "When we were in need, CITIC Bank helped us, which really encouraged me and other entrepreneurs around". In 2018 when this company encountered with the daunting challenges known as "three huge mountains", namely, market as an iceberg, financing as a high mountain, and transformation as a volcano. At the time, we took measures quickly, worked out a comprehensive financial plan, and provided timely support on the precondition of ensuring risk control. With our help, the company has returned to the right trajectory, and now leads in many segmented fields. Firmly upholding the philosophy of "growing together with enterprises" instead of putting profit first when our corporate clients are in difficulties, we interpreted the commitments of a bank and the responsibilities of a state-owed enterprise with our actions. In the future, we will strive to create greater value by doing right things and doing things in a right way.

We are committed to becoming an enterprise with a human touch, closely link our development with serving customers and improving employees' wellbeing, and endeavor to develop into a benevolent enterprise. The epidemic outbreak witnessed our commitment. We provided volunteer consultation and healthcare lectures jointly with online medical institutions, and tried our best to protect customers' health and safety. In particular, we launched a dedicated telephone service line for elderly customers, developed an exclusive mobile banking system, and established the "Happiness 1+6", a financial service system for the elderly, to take care of this group. We have always put ourselves into clients' shoes. Suspecting the cash carrying the virus, an elderly customer in Nanjing put RMB3,000's cash into the microwave oven for sterilization and burned the cash in the end. Despite the fact that machine failed to identify the cash and the remained cash were vulnerable to secondary damage, one of our client managers overcame difficulties and manually cleaned and distinguished the cash, and changed the money in full amount, moving the elderly customer with patient and considerate services. We raised fund for enterprises related to the people's livelihood through multiple channels. We launched the first epidemic containment bond at the entire market and in over ten provinces and cities. The fund raised therefrom was used in such areas as harmless disposal of virus-related special waste, spring agricultural production, hog raising, e-commerce logistics, and emergency reserves, widely acclaimed by bond issuers including Wumart Group and JD.com and governments at different levels. The list of such examples goes on and on, evidencing our core value of "customer orientation". We give greater priority to improving customer experience and meeting their needs, and the Bank's brand image of "guarding the warmth of inheritance with good faith" has gradually taken root among the public. In 2019, the retail customers of the Bank and the credit cards issued by the Bank exceeded the 100 million mark and the 80 million mark respectively. The Bank recorded 743,000 accounts of corporate customers, an increase of 3.2 times the previous year's increment and the highest rate of growth in recent years. In the future, we will continue to build a more considerate, vigorous and convenient operation system for customers through online, intelligent and customized means.

While ensuring good services for customers, we have always kept in mind that employees are treasure for sustainable development. We are fully aware that the taste ocean is decided by each drop of water in it. We do our best to take care of our employees to ensure that every one of them can work with passion and joy and live with dignity and happiness so as to let our employees pass on this positive energy to customers and the society. During the epidemic period, some of our employees worked day and night and played an active and indispensable role in meeting the financial needs of enterprises engaged in the epidemic containment, and others, despite the dreadful windy and snowy weather, persisted in inspecting the workplace to eliminate the potential risks. One of our employees in Lhasa Branch has not taken a single day off since the Spring Festival. He expressed that since Lhasa is located in of high-altitude, cold and oxygen poor condition, catching a cold may be life-threatening; when he brought the protective gear to customers, and when he taught a Tibetan grandma how to wear a mask, he thought all his efforts were worthwhile. Such kind of sincerity and genuineness are being integrated into our corporate culture, encouraging more colleagues to provide considerate services.

We are committed to becoming a unique enterprise with differentiated competitive advantages, and endeavor to develop into a commercial bank with unique capability for value creation. Synergy is our wealth. We have given full play to CITIC Group's unique advantages in "Finance + the Real Economy" to provide customers with comprehensive cross-border and cross-market services by way of "CITIC United Fleet". In 2019, the Bank implemented 557 collaborative projects in partnership with the affiliates under CITIC Group including CITIC Securities, China Securities, CITIC Trust, and CITIC Capital, with products covering bond underwriting, equity investment, trust plan, financial lease and other categories, co-financing RMB640 billion for corporate customers. The synergy strategy has inexhaustible potential. It is more than one point, we wish to extend it into a plane where we can build a scenario-based and platform-based ecosystem. Through it, we can transform our strengths in providing a basket of comprehensive financial solutions into greater value. For example, in the elderly care industry, the Bank has arranged three pillars: it is one of the major partner banks of the Ministry of Human Resources and Social Security in the national social security fund; it provides annuity services for near 1,000 enterprises nationwide and won the bid for the custodianship of the occupational annuity plans of the central state organs and institutions and 25 provinces, cities and autonomous regions; it actively worked on connecting its system with that of the Ministry of Human Resources and Social Security and joint product R&D. Once leveraging CITIC Group's comprehensive strengths in mega consumption, mega cultural tourism, mega health and real estate sectors, we are likely to develop both elderly care finance and non-financial services at the same time, and build an all-around elderly care eco-system to ensure the elderly enjoys access to a wide range of services in caring, medical care, learning, tourism and recreation. We sincerely welcome the elderly customers with open arms to join hands with us and pursue a higher-quality elderly life. We also hope that our insight and systematic operation will further boost the development of the elderly care industry and the building of the public health system.

Innovation is in the genes of Bank. We attach great importance to the new economy, new models and new trends as well as accompanied changes brought by the internet era, and spare no effort to increase investment in technology to empower business development. With such efforts, finance and technology spark up new achievements: The CITIC AI Brain, an AI platform independently developed by the Bank, has been launched and used for over 100 precision financial services; the real-time intelligent products brought in the sale of wealth management products of RMB160 billion, and drove the scale of asset management to increase by RMB41 billion. Within only two years after its opening, CITIC aiBank has been recognized as a state-level high-tech enterprise, recorded more than 32 million users, opened more than 350 APIs, and connected with more than 80 scenarios, continuously enhancing its capability of ecosystem extension and improving its market influence. The Bank has taken a leading role in blockchain technology and application in the banking sector. More than 20 banks joined the blockchain trade finance platform led by the Bank, and the on-chain transaction volume exceeded RMB100 billion. All these epitomize the Bank's achievements in increasing investment in technology, and also represent the hardcore fruits that the flowers of innovation have turned into. In the future, we will accelerate digital transformation in an all-around manner, and demonstrate the "CITIC acceleration" in the race of digital competition.

Internationalization is our aspiration. Through years of efforts, our layout for internationalized operation has taken initial shape, with institutions distributed in Hong Kong, Macao, New York, Los Angeles, London and Singapore. In recent years, we have intensified efforts to improve capability for integrated cross-border services, and became the first Chinese bank to acquire bank equity in the countries along the Belt and Road initiative. One year has passed since CITIC Bank completed the acquisition of a majority stake in JSC Altyn Bank of Kazakhstan. ROA and ROE of JSC Altyn Bank have increased from 2.5% and 24.1% in the first half of 2018 to 3.2% and 29.2% in 2019, respectively; the NPL ratio was the lowest among commercial banks of Kazakhstan; and JSC Altyn Bank has retained the highest credit rating throughout the country. More importantly, via this "bridge", CITIC Bank is playing a more and more important role in promoting mutually beneficial cooperation between Chinese and Kazakhstani enterprises. In 2019, we co-sponsored the First Chinese-Kazakhstani Hi-tech Enterprises Summit with JSC Altyn Bank, and broke new ground by facilitating the signing of cooperation agreements by 10 enterprises. As result of such efforts, first batch of beef from Kazakhstan was imported into Beijing Xinfadi Market at the end of last year. In the future, we will see more and more cooperative programs carried out. Relying on the layout of cross-border institution layout, we are committed to building a well-structured globalized financial trade network. With the opening of London Branch of the Bank last year, a 24-hour transaction platform connecting Beijing-Hong Kong-London-New York financial markets has been established, marking a milestone for our building of a global financial service ecosystem. Looking forward, as the two-way openness in China's capital market continuously advances, the international comprehensive service network built by us today will have its role to play like never before.

We are committed to becoming an enterprise with dignity, work hard to win recognition from market and customers and gain trust from shareholders and employees, and endeavor to build up a century-old brand image. In 2019, The Banker magazine of the United Kingdom ranked the Bank the 19th on its list of the "Top 500 Global Bank Brands", five places higher than the previous year, and the 26th on its list of the "Top 1,000 World Banks" in terms of tier-one capital, one place higher than the previous year. In the face of such lists, while enjoying the excitement, we remain rational and sober-minded. We are fully aware that only after experiencing multiple ups and downs, can such century-old brands as Citibank and Wells Fargo be forged into what we see today and stand out of the world banking, and there were also some financial institutions, once remarkably competitive and highly-accomplished, went bankruptcy. In retrospect of all those successes and failures, right strategies, stable operation and management, compliant and effective risk control are critical factors, and all of these are decided by a bank's ability of governance. To develop into a century-old brand and achieve high-quality development, the Bank shall focus on its own development and strengthen its resilience, which is particularly important under the extraordinary and unprecedented changes unfolding now.

In 2020, we will explicitly make strengthening governance a top priority of the work throughout the year, and pursue development through transformation, standardization and stability amidst the overall enhancement of our country's governance system and capacity for governance. We will unwaveringly strengthen Party leadership, and promote in-depth integration of Party leadership into modern corporate system; we will maintain our orientation, ignite the impetus and tap the synergy for high-quality development of the Bank. We will work for advancing the risk management system reform, make proactive risk forestalling and mitigation our top priority, improve the accountability system and authorization system so as to extend our protective shield as much as possible and comprehensively raise the risk control level. We will constantly improve the internal control compliance work, hold on to the bottom line of compliant operations, and enhance oversight and accountability to advance the "Safe CITIC" initiative. We will intensify our efforts to strengthen the building of corporate culture, vigorously carry forward the spirits of loyalty, self-discipline, fighting, responsibility and pragmatism to foster a healthy business atmosphere of integrity and ensure that we will always take a lead in the competition.

Finally, let me quote a line from Chinese poet Ai Qing "Go and ask the thawing land, go and ask the thawing river." This poem was composed in 1980 to depict the historic trend as China undertook the reform and opening-up policy then. As China further deepens reform and opening-up in the new era, we can still feel the inexhaustible energy and dynamism throughout the country. I believe as long as we continue to forge ahead towards our defined direction, we will accomplish greater achievements. Meanwhile, I hope our investors will, as always, give their support to us along this journey.

Li Qingping
Chairperson, Executive Director
26 March 2020

Fang Heying

Executive Director,
President

President's Letter to Shareholders

Dear shareholders,

In 2019, the global political and economic landscape entered a new round of adjustments, posing rising risks and challenges at home and abroad. The Chinese economy withstood external and internal pressures and showed great resilience, providing potent support to enterprises' development. Over the past year, the management, guided by the strategic leadership of the Board of Directors, had followed the overarching principle of pursuing progress while ensuring stability. Placing equal stress on quality, speed and long-term goals, it had cemented the Bank's business foundation, optimized its structure, advanced its transformation and management and promoted high-quality development, achieving both economic and social benefits.

Continuing the pursuit of higher quality and excellence, balancing stability and progress and improving our capability for value creation

We witnessed stable business expansion and progress in structural adjustment. We have been pursuing development in a moderately progressive manner. At the end of 2019, the Group's total assets and liabilities amounted to RMB6.75 trillion and RMB6.22 trillion, respectively, up by 11.3% and 10.8% from previous year. Thanks to continuing consolidation of customer base, we overcame the "deposit difficulties" commonly faced by rival banks and the total deposits reached RMB4.04 trillion, up by 11.7% from the end of prior year doubling the increment of last year. Personal customer deposits surpassed RMB800.0 billion for the first time, with the increment exceeding RMB100 billion for two consecutive years. Advantages in deposit costs were maintained and sustainable development capabilities was further enhanced.

Business scale shows the "appearance" of a bank's operation and management, and business structure reflects its underlying development quality. Last year, **we worked on improving the asset structure** and tilted loan resources towards low-risk and low-capital-consuming business. Personal mortgage loans, low-priced corporate loans and government low-risk loans accounted for over 60% of newly increased on-balance-sheet loans, further improving the asset safety and anti-cyclical resilience. **We worked on optimizing liability composition** and rolled out multiple measures to consolidate our work in terms of customers, settlement and products. The customer deposits made up a share of 64.95% of our liabilities, up by 0.5 percentage points from the prior year. The proportion of personal customer deposits to the total customer deposits was 21.7%, up by 2.0 percentage points. **We worked on improving the income structure.** We built up efforts in promoting of fee-based business, as a result non-interest income accounted for 32.3%, up by 0.4 percentage point from the past year. With these deep-level structural arrangements and adjustments, we fostered "new momentum" for our liability business, strengthened the "safe cushion" for asset business and gradually formed a "stabilizer" for income increase. By doing so, we are more confident in dealing with influence brought by the economic cyclical fluctuations.

We witnessed stable long-established advantages and progress in new business expansion. Corporate banking has been our long-established advantage. Last year, we continued the reform on corporate banking integration, strengthened differentiated and classified services for customers, and vigorously developed transaction banking. The comprehensive advantages were continuously released. In 2019, the total number of our corporate customers reached a record high of 743,000, an increase of 113,000 from the end of the prior year. Corporate deposits hit RMB3 trillion, maintaining the leading position among joint-stock banks. Giving full play to the advantage of "CITIC United Fleet" in collaboration, the Bank financed more than RMB640.0 billion for corporate customers jointly. We advanced cooperation with the government and enterprises, and won the bid for the custodianship of the occupational annuity plans of the central government organs and institutions and 25 provinces, cities and autonomous regions.

We made the retail banking and financial market business as the key points to overcome business cycle and achieve sustainable business growth. Last year, we paced up the building of a basic framework for an open retail bank, set up marketing platforms to acquire customers more efficiently, and launched open agency payroll service platforms. The systematic development of our retail banking system was promoted and our indigenous momentum for growth was further unleashed. In 2019, the number of personal customers surpassed the threshold of 100 million and assets under management reached RMB2 trillion. The total credit cards issued reached 80 million. We accelerated the transformation of financial market business towards investment and trading, built a 24/7 trading platform connecting financial markets of Beijing, Hong Kong, London and New York, established Shanghai Branch Financial Markets Center and obtained the approval for the establishment of CITIC Wealth Management Corporation Limited further cementing our position as a core trader in the money market. In 2019, our income from bond trading reached RMB1.122 billion, and the income from foreign exchange trading totaled RMB1.08 billion. The ability to seize market shares and opportunities was enhanced.

As a Chinese saying goes, "A handy tool makes a handyman." Products and services have been the magic weapons for winning competition in the banking sector. In face of fierce competition, we have been cementing our advantages of featured services and enhancing our government finance, foreign exchange trading, transaction banking, auto finance, investment banking, bill business, going-abroad finance and credit card business. We have been fostering advantaged services and expanding of private banking, agency payroll services, asset custody services and wealth management business. We have been actively supporting emerging business including online consumer finance, inclusive finance, technology financial and pension finance. We are working to inject vitality to traditional services through continuous efforts so that our advantages will be further enhanced. We hope that through fostering emerging business, making breakthroughs, launching a batch of characteristic "single big products" our distinctive brand and competitiveness can be forged.

We witnessed stable asset quality and progress in profitability. We are well aware that asset quality is the foundation of a bank's sound development. We have been prioritizing risk control and assets quality in business operation and valuing real profit after filtering risk factors. In 2019, indicators for asset quality continued to improve. NPL ratio was 1.65%, the lowest over the last four years. The proportion of problematic loans was 3.87%, down by 0.26 percentage point from the end of the past year. The proportion of loans overdue for 90 days and 60 days in total NPLs were 75.8% and 84.4%, respectively, both demonstrating substantial drop from the end of the last year. Allowance coverage ratio was 175.25%, and the ratio of allowance for loan impairment losses to total loans was 2.90%, both the highest over the last five years. At the same time, we sped up the disposal of NPLs with the principle of NPLs disposed reaching RMB80.60 billion, the highest in history. We collected RMB17.16 billion of NPLs in cash, up by 30% year on year. We recovered RMB5.87 billion in written-off assets, 2.4 folds of the number of past year. The improvement of those indicators allows us to strike a better balance between risks and returns, achieving robust growth while effectively containing the risks.

With improving asset quality, the profitability reached a new height. In 2019, our net operating income totaled RMB187.88 billion, a year-on-year increase of 13.3%. Net profit attributable to equity holders was RMB48.02 billion, up by 7.9%, the fasted growth over the last six years. The risk adjusted return on capital increased by 0.7 percentage point, and the stability and sustainability of profits further enhanced.

Taking advantaged situation for faster development, stressing targeted measures and accelerating strategic investments

We supported businesses in the real economy with targeted measures. We have been following the right approach of principles and interests and upholding our original aspiration of supporting the real economy. Over the past years, we have regarded "inclusive finance" as strategic importance, and implemented favored measures in performance evaluation and pricing so as to be the growing powering for small and micro-sized enterprises. We launched a self-service electronic discounted bill product "Xin Miao Tie" and realized full-process online processing. The annual transaction totaled RMB71.3 billion, making the product an effective high-quality tools to serve small and micro businesses. We established a centralized risk control model for inclusive finance integrating credit review, approval, extension and post-lending inspection. We used financial technology means to develop an automatic approval system and a smart risk warning system for loans to small and micro enterprises. As for inclusive loans we granted to small and micro businesses, NPL ratio was much lower than the industry average. In 2019, our inclusive financial loans increased by nearly 50% from the end of last year, about 40 percentage points faster than the growths of other types of loans and significantly above the CBIRC's "two no-less-than and two control" target and in line with the highest assessment requirement of the PBOC on targeted RRR (Deposit Reserve Ratio) cut.

Private enterprises are the most dynamic sector in the economy, and our important customers and partners. We introduced 14 tailor-made measures to give financial support to the development of private enterprises, innovated business cooperation and risk control model in terms of policy support, procedure optimization and technology empowerment. Private enterprises with ready market, technologies, promising future and core competitiveness were our focus of support. We also helped many private enterprises facing temporary difficulties.

We fully integrated into national development strategies. We are fully supportive of national development strategies and set up three working groups for the integrated development of the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area respectively to implement regional development initiatives. Based on local geographic and business features, we set different business goals, support and management authority to local branches in an effort to support our country's national initiatives. In 2019, the proportions of loan balance and expenses for branches of strategic importance and those in key areas reached 87.2% and 83.4% respectively, up by 0.4 and 1.5 percentage points respectively from the past year. Leveraging on the favorable geographic conditions endowed by the development of the Guangdong-Hong Kong-Macao Greater Bay Area, overseas subsidiaries such as CNCBI and CNCB Investment continued to deepen synergy and cooperation with the Bank and CITIC Group. In 2019, cross-border RMB trade settlement recorded over RMB100 billion, and the total number of new bond underwriting projects increased by 60%. Seizing the opportunities brought by the shift of growth engines and industrial upgrade, we stepped up support to key areas such as new infrastructure, mega consumption and mega health and voluntarily withdrew from low-quality and low-efficiency customers. The proportion of credit balance for these sectors we granted last year rose by 3.2 percentage points. Our credit structure became more closely associated with the trends of social and economic development. Acting upon the Belt and Road Initiative, the JSC Altyn Bank we acquired in Kazakhstan made new breakthrough. In 2019, it made net profit of KZT14.36 billion, up by 37.2%; its NPL ratio was 0.38%, the lowest among commercial banks in Kazakhstan; its allowance coverage ratio reached 472%; and it also became one of the banks with the highest credit rating in Kazakhstan.

We heavily invested in financial technology. On the overwhelming tides raised by internet, financial technology has become the key to future competition. Since 2014 when we became one of the first banks to roll out "online loan" products, we have been making efforts to harness information technologies to empower our business. From then on, we initiated and founded CITIC aiBank with Baidu, developed an AI-driven platform "CITIC Brain", and contributed to the building of the block chain platform in Xiongan New Area. And we independently developed a distributed database for financial services. Over the past years, our financial and manpower investment in financial technology has been setting records. In 2019, our total inputs in technologies totaled close to RMB4.9 billion, a year-on-year increase of 36.8%, marking the fifth consecutive year of a growth rate above 30%. Total technicians we employed were 3,182, a growth of 56.2% year on year. Our transformation to a agile IT-powered organization basically finished. We are 50% faster in financial technology research and development and capable of swiftly responding to market and front-line demands. We made major breakthroughs in the basic technological framework as we launched the first cloud-based credit card system based on an autonomous distributed database in the banking sector. We also put close to 94% of our basic IT frameworks on the cloud. The power generated by the technological progress is spurring great changes in our business operation and management. In 2019, our Suzhou finance sharing project was put into operation, enabling centralized management of expense reimbursement in the whole bank. We launched a new performance management system and FTP pricing system, substantially improved the management efficiency in the Head Office and branches. Our public operation center in Hefei was put into use, making it possible to process hundreds of business applications at the back office. The speed of handling corporate payment business was enhanced by 70%. We firmly believe that as long as we can harness the powerful technology, CITIC Bank will have wings to take off.

Blazing new trail for long-term goals, discarding outdated institutions and building new ones, and advancing high-quality development in full steam

Without long-term strategy, short-term achievement is impossible; and without full-scale consideration, single plan is impractical. In the light of global banking sector, since I took office, I have been thinking over how to foster unique competitiveness of CITIC Bank through advancing business transformation. I believe as long as we are courageous enough to initiate revolution from inside and discard traditional ideas, mindsets and practices that are not suitable for high-quality development, we can develop new ideas, models and technologies for sustainable business growth.

We accelerated institutional reform. We continued expediting institutional reform for innovation, placing equal emphasis on encouraging innovation and tolerating mistakes in innovation, setting up annual innovation awards, major innovation special awards and technological innovation awards, holding bimonthly meetings on innovation in branches, and promoting primary-level micro-innovation to mobilize all employees across the Bank to participate in innovation. In 2019, we approved 11 innovative projects submitted by branches, and 34 innovative projects launched have generated income of RMB1.73 billion. **We continued advancing institutional reform for risk management**, established the principal responsible person mechanism for operation for credit approval, the principal responsible person mechanism for management and the full-time approver mechanism, formulated identification measures for non-performing assets, optimized the centralized operation mode of personal loans, developed the unified credit extension management plan for subsidiaries, and promoted differentiated credit extension policies and authorization plans to control risks in business increment, defuse existing risks and comprehensively enhance our capability for risk management. **We continued to improve the internal control and compliance system building.** Aiming to build a "Safe CITIC Bank", we carried out the "413 Compliance Action", formed a part-time compliance officer team and continuously strengthened the "Ten Forbidding Acts" of employees. We improved accountability policies and refined the accountability system. We realized the audit target of "coverage every three years" of domestic and overseas institutions, and our audit supervision continued to produce a marked effect. **We continued stress on market-oriented business operation**, flexibly adjusted asset and liability management strategies, developed policies and gave supports based on market situation. We set up mechanisms making branches' heads accountable for respective business targets and convening regular meetings of sub-branch heads, and launched the platform that allows branch heads to evaluate Head Office departments and give suggestions, so as to pool the wisdom of branches and sub-branches for sound decision-making and planning. **We continued reform of the human resources system** and set up organizational structures for branches that are suitable for local conditions and strategic goals. We deployed 67.4% of newly-recruited employees in branches of strategic importance. We implemented OKR evaluation in departments, selected and cultivated officials through various channels, and expanded the scope of differentiated remuneration to further energize the talent team.

We pursued capital-saving development and nurtured our capability for light development. In the long run, bank capital will become scarcer. Striking an effective balance between business development and capital restriction is a major challenge we have to cope with. Last year, we took strict measures to control capital consumption. Our risk-weighted assets rose by 9.3%, lower than the growth rate of assets and loans. And the core tier-one capital adequacy ratio enjoyed steady growth. In the future, **we will focus on capital-light development, accelerate transformation from a credit agency to a service agency**, develop intermediary services as investment banking and agency sale in a faster speed, expand capital-light products such as transaction banking and asset custody services as our focuses, and provide customers with cross-market and cross-term services. **We will work to transform from making interest margin to making on price margin** by fostering our capability for asset circulation and investment trading. Based on changing the traditional business model of expanding business scale, we will improve mechanisms for credit asset circulation, and blaze new trail in stimulating the flow of re-possessed assets and equity investment. We will give full play to our role as a core maker on the foreign exchange and money markets to strengthen our market-making business and effectively make use of our existing assets. **We will place equal stress on quality and efficiency** and foster more effective management of capital. We will give more finance support to capital-light business, step up efforts to dispose low-efficient assets and recover written-off loans and fully explore the potential of off-balance sheet asset profit in replenishing capital.

We advanced digital transformation and accelerated efforts to enable technological empowerment. As the society enters the digital age, it is an irreversible trend that bank customers and market move from the real world to the digital world. Digital transformation has become extremely urgent for banks. We must go all out to grab the "entrance ticket" to the digital competition age. **We will speed up top-level design.** We will arrange digital transformation from a high starting point and with high standards, formulate a transformation plan, increase training across the Bank, and cultivate a digital mindset for all employees, so as to excel in this banking transformation, stay abreast now and win in the future. **We will accelerate digital marketing**, explore the value of big data assets and enhance our marketing by means of big data technology. The AI-driven platform independently developed by us, "CITIC Brain", integrates model development, training, arrangement and management and has been used to provide targeted financial services in sectors of corporate banking and retail banking. Just the function of real-time product recommendation brought in the sales of personal wealth management products of RMB160.0 billion in a year, and expanded the scale of assets under management by RMB41.0 billion. **We will apply digital technologies to decision making**, build an agile and efficient data middle desk to improve analysis, evaluation and decision making in a scientific manner and shift from experience-based decision making to digital-technology-powered decision making. We are planning to build a data analysis team with 400 to 600 professionals to provide tailor-made strategies to improve the capability of front-line operators, employees at various management positions at various levels at front, middle and back office. **We will endeavor to accelerate digital management**, improve channel efficiency management, digital risk management, digital evaluation management and digital human resources management in the pursuit of overall refined management. Particularly in risk management, we will use big data to innovate credit approval and pricing, and realize automatic risk warning and online risk control so as to comprehensively enhance our ability to analyze and apply data in the whole process from decision making to execution and feedback.

In 2020, the unexpected outbreak of COVID-19 epidemic brought different feeling to different people, but it made all of us witness the powerful energy brought by the solidarity of the whole nation in face of crisis. The year 2020 is the last year of the three year plan of CITIC Bank. A good harvest depends on the spring sowing. I believe the devotion and contribution of every one of us in CITIC Bank family will bear fruits and generate value to boost the growth of our company!

Fang Heying
Executive Director, President
26 March 2020

Definitions

the reporting period	From 1 January 2019 to 31 December 2019
the Bank/the Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
the Group	China CITIC Bank Corporation Limited and its subsidiaries
Poly Group	China Poly Group Corporation Limited
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on of The Stock Exchange of Hong Kong Limited
Xinhu Zhongbao	Xinhu Zhongbao Co., Ltd.
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly known as China Investment and Finance Limited)
former CBRC	former China Banking Regulatory Commission
China Tobacco	China National Tobacco Corporation
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CITIC aiBank	CITIC aiBank Corporation Limited
CITIC Limited	CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014)
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Group	CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011)
CITIC Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014)

(Note: The definitions are arranged in the alphabetic order of Mandarin Pin Yin)

Chapter 1 Corporate Introduction

1.1 Corporate Information

Registered Name in Chinese	中信銀行股份有限公司 (abbreviated as "中信銀行")
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative	Li Qingping
Authorized Representative	Fang Heying, Zhang Qing
Secretary to the Board of Directors	Zhang Qing
Joint Company Secretaries	Zhang Qing, Kam Mei Ha Wendy (FCS, FCIS)
Securities Representative of the Company	Wang Junwei
Registered Address	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code of the Registered Address	100010
Office Address	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Office Postal Code	100010
Official Website	www.citicbank.com
Telephone Number/Fax Number for Investors	+86-10-85230010/+86-10-85230079
Email Address for Investors	ir@citicbank.com
Customer Service and Complaint Telephone Number	95558
Principal Place of Business in Hong Kong	Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong
Selected Media for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Websites for Information Disclosure	Website designated by the CSRC to publish A-share annual report: www.sse.com.cn Website designated by the SEHK to publish H-share annual report: www.hkexnews.hk
Place Where Annual Reports are Kept	Office of the Board of Directors of CITIC Bank, No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Legal Adviser as to PRC Laws	East & Concord Partners
Legal Adviser as to Hong Kong Laws	Clifford Chance LLP
Domestic Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, No.2 Corporate Avenue, No. 202 Hubin Road, Huangpu District, Shanghai (Postal code: 200021)
Domestic Signing CPAs	Zhu Yu and Li Yan
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Overseas Signing CPA	Chan Kwong Tak
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address	23/F, CITIC Securities Mansion, No. 48 Liangmaqiaolu, Chaoyang District, Beijing
Signing Sponsor Representatives	Ma Xiaolong and Cheng Yue
Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited (CICC)
Office Address	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing
Signing Sponsor Representatives	Xu Jia and Shi Fang

Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
A-share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch 3/F, China Insurance Building, No. 166 East Lujiazui Road, Pudong New Area, Shanghai
H-share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Listing Venue, Stock Name and Stock Code	A-share: Ordinary share — Shanghai Stock Exchange; CNCB — 601998 Preference share — Shanghai Stock Exchange; CITIC Excellent 1 — 360025 Convertible corporate bonds — Shanghai Stock Exchange; CITIC Convertible Bonds — 113021 H-share: Ordinary shares — The Stock Exchange of Hong Kong Limited; CITIC Bank — 0998
Constituent Stock of Major Indexes	SSE A Share Index, SSE 180 Index, SSE Composite Index, Shanghai Shenzhen CSI 300 Index, CSI 100 Index, CSI 800 Index, Hang Seng China H-Financials Index
Credit Ratings	Standard & Poor's: (1) Long-term issuer credit rating: BBB+; (2) Short-term rating: A-2; (3) Long-term rating outlook: Stable. Moody's: (1) Deposit rating: Baa2/P-2; (2) Baseline credit assessment: ba2; (3) Outlook: Stable. Fitch Ratings: (1) Default rating: BBB; (2) Support rating: 2; (3) Support rating floor: BBB; (4) Viability rating: b+; (5) Outlook: Stable.

1.2 Contact Persons and Contact Details

	Secretary to the Board of Directors	**Securities Representative of the Company**
Name	Zhang Qing	Wang Junwei
Address	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Telephone	+86-10-85230010	+86-10-85230010
Fax	+86-10-85230079	+86-10-85230079
Email Address	ir@citicbank.com	ir@citicbank.com

1.3 Business Overview of the Company

1.3.1 Main Business of the Company

The Bank aspires to become a unique and responsible enterprise offering the best comprehensive financial services with dignity and a human touch. To attain this development vision, the Bank fully leverages on the unique competitive advantages of CITIC Group in placing financial and non-financial businesses on an equal footing, and at the same time holds firm to its "customer orientation" and adheres to the business concept of "safe CITIC Bank, compliant operation, science and technology for growth, serving the real economy, market orientation and value creation". For corporate customers and institutional customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, factoring business and custody business. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts. For details about industries the Bank involved in and its business during the reporting period, please refer to Chapter 3 "Management Discussion and Analysis" of this report.

1.3.2 Note on Material Changes in the Company's Main Assets

The Group's main assets include loans and advances to customers, deposits and placements with, and loans to banks and non-bank institutions, financial assets held under resale agreements, financial investments, cash and deposits and placements with central banks. As at the end of the reporting period, these aforementioned assets took up 97.3% of the Group's total assets, down by 0.6 percentage point over the end of the previous year. Please refer to Chapter 3 "Management Discussion and Analysis – Analysis of the Financial Statements" of this report for information on changes in the Group's main assets.

1.3.3 Core Competitiveness Analysis

The Bank insisted upon coordinated development of profit, quality and scale, and continuously enhanced its core competitiveness, in a bid to become a unique and responsible enterprise offering the best comprehensive financial services with dignity and a human touch.

Corporate governance and business operation were scientific, efficient and effective. The Bank has always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms. The result was the formation of an organizational structure characterized by efficient management and professional division of duties. With reference to the theory and practice of modern bank development, in the light of requirements of Party building works, the Bank set up a corporate governance framework comprising the Board of Directors, the Board of Supervisors, the general meeting of shareholders, and the senior management effectively integrating the leadership of the Party into corporate governance. According to the principle of separating the front, middle and back offices, the Bank established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays. The general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management functioned according to rules and performed duties effectively.

Business grew in an all-round balanced manner. Embracing its traditional advantages and DNAs, the Bank developed a business structure with corporate banking as the main body and retail banking and financial markets businesses as the two wings, and gradually shifted towards the "Troika" structure. During the reporting period, the Bank achieved remarkable results in the transformation of its corporate banking business operation, and showed a momentum of overall improvement, with major operating indicators outperforming those in the prior year. The endogenous growth momentum of retail business was enhanced, with systematic development advantages emerged and value contribution continuously increased. In terms of financial market business, the Bank strengthened inter-sector collaboration, seized market opportunities, and hence achieved good operating results. During the reporting period, the Group obtained a more balanced profit structure and greater capacity for sustainable development.

Risk prevention and control was scientific and effective. With the aim of establishing a risk management system that strongly boosts development and effectively controls risks, the Bank continuously improved its risk management system and mechanism, fostered the risk compliance culture, and made every effort to improve the professional level of risk management. Meanwhile, the Bank improved the accountability system of "clarifying responsibilities, identifying responsibilities, and holding accountable", consolidated the responsibilities of the three lines of defense, and promoted the establishment of a accountability mechanism that matches responsibilities, powers and interests, and integrates customer operation and risk management. What's more, the Bank pushed forward the implementation of the unified credit policy system and strengthened the risk control over the credit business of subsidiaries. It deepened the differentiation of credit policies and credit approval authorization, upgraded the credit business structure and improved the efficiency of resource allocation. In addition, the Bank actively explored the application of financial technology, carried out intelligent risk control projects, and thus effectively enhanced the accuracy and foresight of risk prevention and control.

Financial technology facilitated innovation. The Bank paid great attention to the innovation and application of financial technology, input more resources into information technology infrastructure, and sped up efforts in attracting and cultivating technological personnel. Guided by the notion of "science and technology for innovation and growth", the Bank made enthusiastic exploration and constant innovation in internet finance, digitization and smart transformation. Exerting its technological advantages in innovation and self-research, the Bank improved its integrated financial service capabilities, focused on independent research and development of cloud platform and ecosystem building, and developed financial technology products with its own characteristics. Besides, by promoting the application of financial technology, the Bank accelerated the digital transformation of retail banking, reshaped the retail business development model and sharpened its core competitive edge.

Brand influence continued to escalate. After more than three decades' development, the Bank has set up a network of affiliates covering major large and medium-sized cities in the Chinese mainland, and established operations in London, Sydney, Hong Kong SAR, Macau SAR, New York, Los Angeles, Singapore, Kazakhstan, etc. The Bank guided its brand strategy with the motto of "building trust for long-term growth, incorporating smart services for boundless financing". With the provision of a full range of financial products and high-quality customer services, the Bank enjoyed a high reputation and extensive influence at both domestic and overseas markets. In 2019, The Banker magazine of the United Kingdom rated the Bank the 19th on its list of the "Top 500 Global Bank Brands", and the 26th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

Honors and Awards

2019

January

the Bank was granted "Gold Industry Service Award" and "Market Progress Award" by Shanghai Futures Exchange.

February

the Bank ranked 19th among the "Top 500 Global Bank Brands" published by *The Banker* magazine of the United Kingdom.

March

the Bank won the first place in the RMB Outlook Award of REFINITIV; and was granted the "Core Dealer in Interbank Local Currency Market", "Innovation Award for Interbank Local Currency Market Trading Mechanism – X-Swap", "Excellent Money Market Dealer in Interbank Local Currency Market" and "Excellent Derivatives Market Dealer in Interbank Local Currency Market" by National Interbank Funding Center; the "Best Spot Matchmaking Institution Award", "Best Spot Market Making Institution Award", "Most Popular Spot Matchmaking Institution Award" and "Most Popular Spot Market Making Institution Award" by China Foreign Exchange Trade System; the "Special Information Disclosure and Valuation Award" by the Banking Credit Assets Registration and Circulation Center; and the "Excellent UnionPay Card Innovation Cooperation Award" by UnionPay International.

April

the Bank was granted the "Excellent International Business Member", "Inquiry Market Liquidity Contribution Award", "Best Market Maker in Interbank Inquiry Market" and the second prize of "Excellent Financial Member" by Shanghai Futures Exchange; the "Best Depository Bank Award" by Shanghai Gold Exchange; and the "Excellent Foreign Exchange Self-operated Clearing Award", "Excellent Settlement Member" and "Excellent Clearing Member" by Shanghai Clearing House.

May

the Bank was awarded the "Custodian Bank of the Year in China", "the Best Blockchain Initiative, Application or Programme" and the "The Financial Market Technology Implementation of the Year-Interbank Financial Service Platform Implementation" by *The Asian Banker*.

June

the Bank was awarded "Excellent Member Institution", "Excellent Discounting Institution" and "Best Service Award" by Shanghai Commercial Paper Exchange Corporation Ltd.

July

the Bank ranked 26th on *The Banker* magazine of the United Kingdom's list of the "Top 1,000 World Banks" in terms of tier-one capital. Besides, the Bank was recognized as the "2019 Gold Brand Retail Bank" by *Financial Money*, and won the "Gamma Award for Credit Card" by *Securities Times* and "Award for Project with Best Productivity, Efficiency and Automation of China" by *The Asian Banker*.

August

the Bank was listed as the "Favorite Employer among Chinese College Students" by the website 51job.com, and assessed as "Class A in the 2018-2019 Information Disclosure Assessment" by Shanghai Stock Exchange.

September

the Bank was awarded the "Best Automotive Financial Service Bank" by the *21st Century Business Herald* and the "Gold Award for Brand Marketing" by the *Advertiser* magazine.

October

the Bank's Going Abroad Financial Ecosystem platform won the "2019 People's Craftsmanship Product Award" by the website people.cn. Besides, the Bank was recognized as the "2019 Excellent Supply Chain Finance Innovation Bank" by *The Economic Observer* and the "Best International Business Service Innovation Bank" by CBN.

November

the Bank won the honor of "2019 Top 100 Financial Services" by the website ce.cn. The Bank's online banking and outlet services were named "Pioneers of Enterprise Standards" by National Internet Finance Association of China. In the 14th People's Corporate Social Responsibility Award selection organized by the website people.cn, the Bank won the "Green Development Award". What's more, the Bank's designated poverty alleviation program in Xietongmen County of Tibet was awarded the "2019 Excellent Case of Precision Poverty Alleviation in China" in the 21th Century Financial Competitiveness Selection. The Bank was also named the "2019 Brand Impact Bank" in the 17th China's Financial Annual Champion Awards.

December

the Bank was listed among the "Top 10 of New Media Influence of China's Banking Industry". Besides, it received the "Private Bank Value-added Service of the Year" and named as the "Most Improved Private Bank in China" by *The Asian Banker*, and was recognized as the "2019 Brand Building Bank" by *China Times*, the "2019 Most Valuable Investment Company" and "2019 Best Wealth Management Bank" by *China Investment Network*, and the "2019 Excellent Competitive Retail Bank" by *China Business Journal*.

Chapter 2 Financial Highlights

2.1 Operating Performance

Unit: RMB million

Item	2019	2018	Growth rate (%)	2017
Operating income	**187,881**	165,766	13.34	157,231
Profit before tax	**56,545**	54,326	4.08	52,276
Net profit attributable to the equity holders of the Bank	**48,015**	44,513	7.87	42,566
Net cash flow from/(used in) operating activities	**116,969**	102,316	14.32	54,074
Per share				
Basic earnings per share (RMB)	**0.95**	0.88	7.95	0.84
Diluted earnings per share (RMB)	**0.89**	0.88	1.14	0.84
Net cash flow from/(used in) operating activities per share (RMB)	**2.39**	2.09	14.35	1.11

Unit: RMB million

	2019			
Item	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Operating income	**47,417**	**45,775**	**49,081**	**45,608**
Net profit attributable to the equity holders of the Bank	**13,216**	**15,091**	**12,445**	**7,263**
Net cash flow from/(used in) operating activities	**(8,434)**	**16,981**	**32,160**	**76,262**

2.2 Profitability Indicators

Item	2019	2018	Increase/(decrease) in percentage point	2017
Return on average assets (ROAA) (1)	**0.76%**	0.77%	(0.01)	0.74%
Return on average equity (ROAE) (2)	**11.06%**	11.36%	(0.30)	11.63%
Cost-to-income ratio (excluding tax and surcharges) (3)	**27.84%**	30.71%	(2.87)	30.05%
Credit cost (4)	**1.79%**	1.40%	0.39	1.64%
Net interest spread (5)	**2.04%**	2.00%	0.04	1.87%
Net interest margin (6)	**2.12%**	2.09%	0.03	2.03%

Notes: (1) Return on average assets (ROAA) = net profit/the average of the balances of total assets at the beginning and end of the period.

(2) Return on average equity (ROAE) = net profit attributable to the ordinary shareholders of the Bank/the average of total beginning and ending equity attributable to the ordinary shareholders of the Bank.

(3) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.

(4) Credit cost = current-year accruals of allowance for impairment losses on loans and advances to customers/average balance of loans and advances to customers.

(5) Net interest spread = average yield on total interest-earning assets – average cost rate of total interest-bearing liabilities.

(6) Net interest margin = net interest income/average balance of total interest-earning assets.

(7) Since 2019, the Group reclassified the installment cash income of credit cards from fee income to interest income, and the net interest spread and net interest margin of 2018 and 2017 have been restated.

2.3 Scale Indicators

Unit: RMB million

Item	**31 December 2019**	31 December 2018	Growth rate (%)	31 December 2017
Total assets	**6,750,433**	6,066,714	11.27	5,677,691
Total loans and advances to customers [1]	**3,997,987**	3,608,412	10.80	3,196,887
– Corporate loans	**1,955,519**	1,881,125	3.95	1,857,847
– Discounted bills	**311,654**	242,797	28.36	107,456
– Personal loans	**1,730,814**	1,484,490	16.59	1,231,584
Total liabilities	**6,217,909**	5,613,628	10.76	5,265,258
Total deposits from customers [1]	**4,038,820**	3,616,423	11.68	3,407,636
– Corporate demand deposits [2]	**1,674,923**	1,521,684	10.07	1,651,180
– Corporate time and call deposits	**1,485,727**	1,382,230	7.49	1,223,018
– Personal demand deposits	**275,526**	262,960	4.78	234,961
– Personal time and call deposits	**602,644**	449,549	34.06	298,477
Deposits from banks and non-bank financial institutions	**951,122**	782,264	21.59	798,007
Placements from banks and non-bank financial institutions	**92,539**	115,358	(19.78)	77,595
Total equity attributable to the equity holders of the Bank	**517,311**	436,661	18.47	399,638
Net asset per share attributable to the equity holders of the Bank (RMB)	**10.57**	8.92	18.50	8.17
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**9.04**	8.21	10.11	7.45

Notes: (1) As per the Notice on Amending and Issuing the Formats of Financial Statements for Financial Enterprises for 2018 (Finance and Accounting [2018] No.36) issued by the Ministry of Finance, the interest of a financial instrument accrued according to the effective interest method should be included in the book balance of the corresponding financial instrument and reflected in relevant items of the balance sheet. The Group has prepared the financial statements according to requirements in the above notice since 2018. For the convenience of analysis, "total loans and advances to customers" and "total deposits from customers" do not include relevant interest.

(2) Corporate demand deposits included demand deposits from corporate customers and outward remittance and remittance payables of corporate customers.

2.4 Asset Quality Indicator

Item	**31 December 2019**		31 December 2018		Increase/ (decrease) in percentage point	31 December 2017	
	Regulatory value [4]	**Actual Value**	Regulatory value	Actual Value	Actual Value	Regulatory value	Actual Value
NPL ratio [1]	**–**	**1.65%**	–	1.77%	(0.12)	–	1.68%
Allowance coverage ratio [2]	**≥140%**	**175.25%**	≥140%	157.98%	17.27	≥150%	169.44%
Allowance for loan impairment losses to total loans [3]	**≥2.1%**	**2.90%**	≥2.1%	2.80%	0.10	≥2.5%	2.84%

Note: (1) NPL ratio = balance of NPLs/total loans and advances to customers.

(2) Allowance coverage ratio = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/balance of NPLs.

(3) The ratio of allowance for loan impairment losses to total loans = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/total loans and advances to customers.

(4) According to the former CBRC's Notice on the Regulatory Requirements on Adjusting Allowances for Loan Impairment Losses of Commercial Banks (CBRC Issue [2018] No.7), the regulatory policy of differentiated dynamic adjustment of allowances was practiced for joint-stock banks.

2.5 Other Main Regulatory Indicators

Item (1)	Regulatory value	31 December 2019	31 December 2018	Increase/ (decrease) in percentage points	31 December 2017
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.69%**	8.62%	0.07	8.49%
Tier-one capital adequacy ratio	≥8.50%	**10.20%**	9.43%	0.77	9.34%
Capital adequacy ratio	≥10.50%	**12.44%**	12.47%	(0.03)	11.65%
Leverage profile					
Leverage ratio	≥4%	**6.71%**	6.37%	0.34	6.18%
Liquidity risk profile					
Liquidity coverage ratio (2)	≥100%	**149.27%**	114.33%	34.94	97.98%
Liquidity ratio					
Including: Renminbi	≥25%	**63.88%**	50.80%	13.08	45.29%
Foreign currencies	≥25%	**60.51%**	59.85%	0.66	84.11%

Notes: (1) The figures in the table were calculated in accordance with the regulatory standards of the Chinese banking industry. Except for the liquidity coverage ratio which was data of the Bank, all other indicators were data of the Group.

(2) As per the requirements of the Measures on Liquidity Risk Management of Commercial Banks (CBIRC Decree [2018] No. 3), the liquidity coverage ratio of commercial banks should reach 100% by the end of 2018.

2.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the 2019 year-end net assets and the net profit of the Group for the year of 2019 calculated according to the PRC Accounting Standards and those calculated as per the International Financial Reporting Standards (IFRS).

2.7 Five-Year Financial Summary

Unit: RMB million

Item	2019	2018	2017	2016	2015
Operating performance					
Operating income	**187,881**	165,766	157,231	154,159	145,545
Profit before tax	**56,545**	54,326	52,276	54,608	54,986
Net profit attributable to the equity holders of the Bank	**48,015**	44,513	42,566	41,629	41,158
Net cash flow from/(used in) operating activities	**116,969**	102,316	54,074	218,811	(20,835)
Per share					
Basic earnings per share (RMB)	**0.95**	0.88	0.84	0.85	0.88
Diluted earnings per share (RMB)	**0.89**	0.88	0.84	0.85	0.88
Net cash flow from/(used in) operating activities per share (RMB)	**2.39**	2.09	1.11	4.47	(0.43)
Scale indicators					
Total assets	**6,750,433**	6,066,714	5,677,691	5,931,050	5,122,292
Total loans and advances to customers	**3,997,987**	3,608,412	3,196,887	2,877,927	2,528,780
Total liabilities	**6,217,909**	5,613,628	5,265,258	5,546,554	4,802,606
Total deposits from customers	**4,038,820**	3,616,423	3,407,636	3,639,290	3,182,775
Total equity attributable to the equity holders of the Bank	**517,311**	436,661	399,638	379,224	317,740
Net asset per share attributable to the equity holders of the Bank (RMB)	**10.57**	8.92	8.17	7.75	6.49
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**9.04**	8.21	7.45	7.04	6.49
Profitability indicators					
Return on average assets (ROAA)	**0.76%**	0.77%	0.74%	0.76%	0.90%
Return on average equity (ROAE)	**11.06%**	11.36%	11.63%	12.58%	14.26%
Cost-to-income ratio (excluding tax and surcharges)	**27.84%**	30.71%	30.05%	27.75%	27.87%
Credit cost	**1.79%**	1.40%	1.64%	1.67%	1.51%
Net interest spread (note)	**2.04%**	2.00%	1.87%	1.89%	2.13%
Net interest margin (note)	**2.12%**	2.09%	2.03%	2.00%	2.31%
Asset quality indicators					
NPL ratio	**1.65%**	1.77%	1.68%	1.69%	1.43%
Allowance coverage ratio	**175.25%**	157.98%	169.44%	155.50%	167.81%
The ratio of allowance for loan impairment losses to total loans	**2.90%**	2.80%	2.84%	2.62%	2.39%
Capital adequacy ratio					
Core tier-one capital adequacy ratio	**8.69%**	8.62%	8.49%	8.64%	9.12%
Tier-one capital adequacy ratio	**10.20%**	9.43%	9.34%	9.65%	9.17%
Capital adequacy ratio	**12.44%**	12.47%	11.65%	11.98%	11.87%

Note: As of 1 January 2019, the Group reclassified the installment cash income of credit cards from fee income to interest income, and the net interest spread and net interest margin of 2018 and 2017 have been restated.

Chapter 3 Management Discussion and Analysis

3.1 Overview of the External Macro Environment and the Bank's Operating Results

3.1.1 Economic, Financial and Regulatory Environments

In 2019, international and domestic economic and financial environment witnessed profound changes with decelerated global economic growth rate, insufficient growth impetus and uncertainties brought by trade frictions and geopolitics dragging down the growth. Developed economies trended towards "low growth, low inflation and low interest rate", while emerging economies showed relatively divergent economic performances. However, the overall picture was subdued. Central banks around the world followed suit to roll out interest rate cuts, and the global financial vulnerabilities continued to accumulate, leading to increasing risk aversion sentiments in the financial market.

The Chinese economy deepened its supply-side structural reform with major macroeconomic indicators kept within a reasonable range. Overall, the economy performed steadily and structural adjustments made solid progress. Investment growth slowed down while tending to be stabilized; consumption and employment stayed stable; and structural characteristics of price increase were obvious. Over the course of 2019, in year-on-year term, China's gross domestic product (GDP) grew by 6.1%; value-added of industrial enterprises above the designated size increased by 5.7%; consumer price index (CPI) rose by 2.9%; industrial producer price index went down by 0.3%; national urban surveyed unemployment rate remained within 5% to 5.3%; and profits of industrial enterprises above the designated size reached RMB6,199.55 billion. At the same time, the economy faced rising downward pressure accompanied by mounting risks and challenges facing the domestic economic performance, more prudent production and investment of enterprises, tepid increase in investment in manufacturing industry and private investment, suppressed export growth due to weakening external demand and to-be-enhanced endogenous incentive for economic growth.

In accordance with the requirements of the CPC (Communist Party of China) Central Committee and the State Council, and with a commitment to the general principle of pursuing progress while ensuring stability and the new development philosophy, the Chinese financial regulators took substantive steps to ensure stable employment, a stable financial sector, stable foreign trade, stable foreign investment, stable domestic investment, and stable expectations. They stood firm to strengthen countercyclical adjustments and forestall and defuse risks while promoting quality development, effectively dealing with the short-term downward pressure of the economy. The People's Bank of China (PBOC) continued the prudent monetary policy instead of resorting to a deluge of strong stimulus policies, improved the two-pillar framework of monetary and macro-prudential policies, formation of loan prime rate (LPR) of commercial banks as well as the monetary-policy transmission mechanism, and promoted the merging of market rates and lending benchmark rates, to make more efficient allocation of financial resources. The CBIRC continued to maintain the strict supervision and rectification over market, and released documents such as *the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks, the Notice on Implementation of "Consolidating the Achievements of Disorder Rectification and Promoting Compliance Building"* and *the Guiding Opinions on Enhancing the Building of Working Systems and Mechanisms for Protection of Consumer Rights and Interests of Banking and Insurance Institutions*, putting forward higher requirements on liquidity management, compliance and internal control management and consumer protection of commercial banks. Thanks to the guiding effect of all these policies, structural adjustments in the financial sector produced positive outcomes, while monetary credits and aggregate financing to the real economy (AFRE) both maintained a reasonable growth rate. As at the end of 2019, the balance of broad money (M2), the balance of Renminbi loans and the stock of AFRE stood at RMB198.65 trillion, RMB153.11 trillion, and RMB251.31 trillion, growing by 8.7%, 12.3% and 10.7% over the end of the previous year, respectively.

3.1.2 Overview of the Bank's Operating Results

The reporting period witnessed profound changes in both domestic and overseas economic environments. In response, the Bank earnestly implemented its 2018-2020 development plan, maintained its strategic focus, continued to return to the basics of financial services, and drove deeper in transformation and development. As a result, the Bank achieved a sound momentum of development in all businesses and further enhanced management efficiency and effectiveness.

Operating strength enjoyed steady improvement. During the reporting period, the Group steadily improved its operating results, realizing RMB48.015 billion net profit attributable to its equity holders, a growth of 7.87% over last year; and its operating income registered RMB187.881 billion, up by 13.34% from last year. Asset quality of the Group improved substantially. NPL ratio of the Group was 1.65%, a drop of 0.12 percentage point from the end of the previous year; and allowance coverage ratio and the ratio of allowance for loan impairment losses to total loans stood at 175.25% and 2.90%, up by 17.27 percentage points and 0.10 percentage point from the end of the previous year, respectively. The Group's assets continued to grow at a reasonable pace. As at the end of the reporting period, the Group's total assets reached RMB6.7504 trillion, a growth of RMB683.7 billion or 11.27% over the end of the previous year; its total loans to customers were close to RMB4 trillion, up by 10.80% from the end of the previous year; and its total deposits from customers recorded RMB4.04 trillion, up by 11.68% from the end of last year.

Business structure enjoyed ongoing upgrading. During the reporting period, the Bank enhanced the integrated operation of its corporate banking business. As at the end of the reporting period, net operating income from the Bank's corporate banking business recorded RMB88.420 billion, total deposits from corporate customers exceeded RMB3 trillion, and the number of corporate customers increased by 112,900. Retail banking of the Bank deepened its transformation effort, with non-interest income recording RMB38.780 billion, accounting for 66.75% of the Bank's total, 10.01 percentage points higher than the share of previous year. Assets under management of retail banking business of the Bank exceeded RMB2 trillion, and personal deposits were more than RMB700 billion, representing a growth of over RMB150 billion in the second consecutive year. The value contribution of retail business to the Bank was further increased as endogenous growth divers were strengthened and advantages of systematic development emerged. The financial markets business upheld the "asset light, capital light and cost light" development strategy, realizing a net operating income of RMB18.110 billion. Particularly, net non-interest income stood at RMB11.100 billion, up by 32.44% over the previous year, accounting for 19.11% of the Bank's total non-interest income.

Featured development progressed in an orderly manner. The Bank further consolidated the advantages of featured businesses. In particular, the Head Office established the Transaction Banking Department to vigorously develop the transaction banking business; auto finance business continued to lead the peers; investment banking business made continuous efforts in promoting innovative products, realizing relatively rapid growth; and going abroad finance business served accumulatively more than 22 million customers going broad. The Bank won the bid for the custodianship of the occupational annuity plans of the central state organs and institutions and 25 provincial-level administrative regions, and obtained key qualifications and accounts in the fields of public finance, social security, tobacco, housing and urban-rural development, medical insurance, etc., which represented wider recognition of the Bank as a government financial service brand. The Bank also promoted business synergy with the subsidiaries of CITIC Group and its own subsidiaries. During the reporting period, the Bank financed 557 projects amounting to RMB640 billion in cooperation with associates in financial sector within the CITIC Group including CITIC Securities, China Securities, CITIC Trust and CITIC Capital, effectively supporting the development of real economy. CITIC aiBank achieved its periodic objective in its strategy implementation and made profit for the first time.

3.2 Analysis of the Financial Statements

3.2.1 Income Statement Analysis

During the reporting period, the Group realized RMB48.015 billion net profit attributable to the equity holders of the Bank, up by 7.87% from last year. The table below sets out the changes in the main items of the Group's income statement during the reporting period.

Unit: RMB million

Item	2019	2018	Increase/ (decrease)	Growth (%)
Operating income	**187,881**	165,766	22,115	13.34
– Net interest income (Note)	**127,271**	112,912	14,359	12.72
– Net non-interest income (Note)	**60,610**	52,854	7,756	14.67
Operating expenses	**(54,168)**	(52,600)	(1,568)	2.98
Credit and other asset impairment losses	**(77,255)**	(58,233)	(19,022)	32.67
Profit before tax	**56,545**	54,326	2,219	4.08
Income tax	**(7,551)**	(8,950)	1,399	(15.63)
Profit for the year	**48,994**	45,376	3,618	7.97
Including: Net profit attributable to the equity holders of the Bank	**48,015**	44,513	3,502	7.87

Notes: Since 2019, the Group reclassified the installment cash income of credit cards from fee income to interest income. Financial indicators related to net interest income and net non-interest income were restated.

3.2.1.1 Operating Income

During the reporting period, the Group realized operating income of RMB187.881 billion, up by 13.34% over last year, of which net interest income accounted for 67.7%, down by 0.4 percentage point year on year; net non-interest income accounted for 32.3%, up by 0.4 percentage point year on year.

Item	2019 (%)	2018 (%)
Net interest income	**67.7**	68.1
Net non-interest income	**32.3**	31.9
Total	**100.0**	100.0

3.2.1.2 Net Interest Income

During the reporting period, the Group realized RMB127.271 billion of net interest income, an increase of RMB14.359 billion or 12.72% on a year-on-year basis. The increase of net interest income mainly came as the result of the growth in interest-earning assets.

The table below sets out the average balances and average interest rates of the Group's interest-earning assets and interest-bearing liabilities. Average balances of assets and liabilities are average daily balances.

Unit: RMB million

	2019			2018		
Item	**Average balance**	**Interest**	**Average yield/cost rate (%)**	Average balance	Interest	Average yield/cost rate (%)
Interest-earning assets						
Loans and advances to customers	**3,834,467**	**194,891**	**5.08**	3,405,578	173,748	5.10
Financial investments [1]	**1,433,945**	**58,838**	**4.10**	1,142,526	49,474	4.33
Deposits with central banks	**383,828**	**5,949**	**1.55**	456,515	7,049	1.54
Deposits and placements with, and loans to banks and non-bank financial institutions	**311,352**	**8,067**	**2.59**	353,672	10,675	3.02
Financial assets held under resale agreements	**35,400**	**753**	**2.13**	38,077	987	2.59
Subtotal	**5,998,992**	**268,498**	**4.48**	5,396,368	241,933	4.48
Interest-bearing liabilities						
Deposits from customers	**3,856,859**	**80,272**	**2.08**	3,526,276	66,254	1.88
Deposits and placements from banks and non-bank financial institutions	**1,015,957**	**28,391**	**2.79**	842,701	29,778	3.53
Debt securities issued	**583,813**	**22,186**	**3.80**	496,358	22,416	4.52
Borrowings from central banks	**243,402**	**8,118**	**3.34**	271,306	8,937	3.29
Financial assets sold under repurchase agreements	**70,106**	**1,679**	**2.39**	57,115	1,623	2.84
Others	**10,514**	**581**	**5.53**	496	13	2.62
Subtotal	**5,780,651**	**141,227**	**2.44**	5,194,252	129,021	2.48
Net interest income		**127,271**			112,912	
Net interest spread [2]			**2.04**			2.00
Net interest margin [3]			**2.12**			2.09

Notes: (1) Financial investments included financial investments measured at amortized cost and financial investments measured at fair value through other comprehensive income.

(2) Net interest spread = average yield of total interest-earning assets – average cost rate of total interest-bearing liabilities.

(3) Net interest margin = net interest income/average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income resulting from changes in the scale and interest rate factors.

Unit: RMB million

	2019 compared with 2018		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	21,873	(730)	21,143
Financial investments	12,618	(3,254)	9,364
Deposits with central banks	(1,119)	19	(1,100)
Deposits and placements with, and loans to banks and non-bank financial institutions	(1,278)	(1,330)	(2,608)
Financial assets held under resale agreements	(69)	(165)	(234)
Changes in interest income	32,025	(5,460)	26,565
Liabilities			
Deposits from customers	6,215	7,803	14,018
Deposits and placements from banks and non-bank financial institutions	6,116	(7,503)	(1,387)
Debt certificates issued	3,953	(4,183)	(230)
Borrowings from central banks	(918)	99	(819)
Financial assets sold under repurchase agreements	369	(313)	56
Others	262	306	568
Changes in interest expense	15,997	(3,791)	12,206
Changes in net interest income	16,028	(1,669)	14,359

Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin and net interest spread registered 2.12% and 2.04% respectively, representing an increase of 0.03 percentage point and 0.04 percentage point year on year. The Group's yield of total interest-earning assets was 4.48%, the same as last year; the cost rate of interest-bearing liabilities was 2.44%, down by 0.04 percentage point over last year.

3.2.1.3 Interest Income

During the reporting period, the Group realized an interest income of RMB268.498 billion, an increase of RMB26.565 billion or 10.98% over last year, mainly due to the growth in the size of interest-earning assets, constant improvement of asset structure and enhanced pricing management. Interest income from loans and advances to customers was the main component of interest income.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group recorded RMB194.891 billion interest income from loans and advances to customers, a growth of RMB21.143 billion or 12.17% year on year, primarily because of the increase in loans and advances to customers.

Classification by Maturity Structure

Unit: RMB million

	2019			2018		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Short-term loans	**1,435,503**	**73,365**	**5.11**	1,199,731	62,662	5.22
Medium to long-term loans	**2,398,964**	**121,526**	**5.07**	2,205,847	111,086	5.04
Total	**3,834,467**	**194,891**	**5.08**	3,405,578	173,748	5.10

Classification by Business

Unit: RMB million

	2019			2018		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**1,945,350**	**101,049**	**5.19**	1,886,203	95,562	5.07
Personal loans	**1,624,870**	**84,748**	**5.22**	1,341,796	69,541	5.18
Discounted loans	**264,247**	**9,094**	**3.44**	177,579	8,645	4.87
Total	**3,834,467**	**194,891**	**5.08**	3,405,578	173,748	5.10

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB58.838 billion, an increase of RMB9.364 billion or 18.93% year on year, mainly as a result of the Group's improvement of asset structure by increasing the size of bond investment.

Interest Income from Deposits with Central Banks

During the reporting period, the Group's interest income from deposits with central banks stood at RMB5.949 billion, a drop of RMB1.1 billion or 15.61% from last year, mainly due to a decrease in deposits with central banks as a result of the central bank's downward adjustment of the Renminbi required reserve ratio.

Interest Income from Deposits and Placements with, and Loans to Banks and Non-bank Financial Institutions

During the reporting period, the Group's interest income from deposits and placements with, and loans to banks and non-bank financial institutions was RMB8.067 billion, a decrease of RMB2.608 billion or 24.43% from last year, mainly because of a decrease in the proportion of interbank assets of the Group due to the downward movement of interest rates.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB753 million interest income from financial assets held under resale agreements, a decrease of RMB234 million or 23.71% from last year, mainly because the average yield of such financial assets went down due to the downward movement of interest rates.

3.2.1.4 Interest Expense

During the reporting period, the Group's interest expense was RMB141.227 billion, an increase of RMB12.206 billion or 9.46% over last year. Interest expense increased primarily because the growth in the size of interest-bearing liabilities.

Interest Expense on Deposits from Customers

During the reporting period, the Group's interest expense on deposits from customers was RMB80.272 billion, an increase of RMB14.018 billion or 21.16% over last year, mainly due to an increase in deposits from customers and the rising cost rate of customer deposits as a result of fierce competition.

Unit: RMB million

	2019			2018		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,494,220**	**45,357**	**3.04**	1,389,757	40,952	2.95
Demand deposits	**1,565,110**	**16,637**	**1.06**	1,505,852	13,408	0.89
Subtotal	**3,059,330**	**61,994**	**2.03**	2,895,609	54,360	1.88
Personal deposits						
Time and call deposits	**537,023**	**17,481**	**3.26**	386,994	11,201	2.89
Demand deposits	**260,506**	**797**	**0.31**	243,673	693	0.28
Subtotal	**797,529**	**18,278**	**2.29**	630,667	11,894	1.89
Total	**3,856,859**	**80,272**	**2.08**	3,526,276	66,254	1.88

Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB28.391 billion, a decrease of RMB1.387 billion or 4.66% over last year, mainly because of a decrease in the average cost rate of deposits and placements from banks and non-bank financial institutions due to the drop of market interest rates.

Interest Expense on Debt Certificates Issued

During the reporting period, the Group's interest expense on debt certificates issued stood at RMB22.186 billion, a decrease of RMB230 million or 1.03% over last year, primarily due to a fall of the average cost rate of debt certificates issued.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB8.118 billion, a decrease of RMB819 million or 9.16% over last year, mainly due to the drop of borrowings from central banks.

Interest Expense on Financial Assets Sold under Repurchase Agreements

During the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB1.679 billion, an increase of RMB56 million or 3.45% over last year, primarily due to an increase in the average balance of financial assets sold under repurchase agreements.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB581 million, an increase of RMB568 million over last year, primarily due to an increase in interest expense on lease after the implementation of the new lease standard in 2019.

3.2.1.5 Net Non-Interest Income

During the reporting period, the Group realized RMB60.610 billion of net non-interest income, an increase of RMB7.756 billion or 14.67% over last year.

Unit: RMB million

Item	2019	2018	Increase/ decrease	Growth Rate (%)
Net fee and commission income	**46,384**	37,008	9,376	25.34
Net trading gain	**5,229**	6,519	(1,290)	(19.79)
Net gain from investment securities	**8,629**	9,046	(417)	(4.61)
Net hedging gain	**(2)**	(1)	(1)	100.00
Other net operating income	**370**	282	88	31.21
Total	**60,610**	52,854	7,756	14.67

3.2.1.6 Net Fee and Commission Income

During the reporting period, net fee and commission income of the Group reached RMB46.384 billion, representing an increase of RMB9.376 billion or 25.34% over last year. Among these, the bank card fees increased by RMB10.284 billion or 41.95% over last year, mainly due to the increase in credit card fees; agency fees and commissions increased by RMB2.506 billion or 51.79% over last year, mainly due to the growth in fee income from agency asset management, agency sale of insurance and fund; guarantee and consulting fees went down by RMB715 million or 12.74% over last year, mainly because of the decrease in guarantee and commitment fee income; commission for custodian and other fiduciary business dropped by RMB2.209 billion or 36.55% over last year, as a result of the decrease in wealth management business fees.

Unit: RMB million

Item	2019	2018	Increase/ decrease	Growth Rate (%)
Bank card fees	**34,800**	24,516	10,284	41.95
Agency fees and commissions	**7,345**	4,839	2,506	51.79
Guarantee and consulting fees	**4,898**	5,613	(715)	(12.74)
Commissions for custodian and other fiduciary business	**3,835**	6,044	(2,209)	(36.55)
Settlement and clearance fees	**1,322**	1,269	53	4.18
Other fees and commissions	**84**	318	(234)	(73.58)
Subtotal of fees and commissions	**52,284**	42,599	9,685	22.74
Fee and commission expense	**(5,900)**	(5,591)	(309)	5.53
Net fee and commission income	**46,384**	37,008	9,376	25.34

3.2.1.7 Net Trading Gain and Net Gain from Investment Securities

During the reporting period, the Group's net trading gain and net gain from investment securities registered a combined amount of RMB13.858 billion, a decrease of RMB1.707 billion over last year, mainly because of lower income from credit card asset turnover in 2019 compared with last year.

3.2.1.8 Operating Expenses

During the reporting period, the Group incurred RMB54.168 billion operating expenses, an increase of RMB1.568 billion or 2.98% over last year, primarily because the Group vigorously supported innovations in financial technology, and increased technology input to lay a solid technological foundation. During the reporting period, the Group's cost-to-income ratio (excluding tax and surcharges) stood at 27.84%, down by 2.87 percentage points over last year.

Unit: RMB million

Item	2019	2018	Increase/ decrease	Growth Rate (%)
Staff costs	**29,636**	29,599	37	0.13
Property and equipment expenses and amortization	**9,238**	9,255	(17)	(0.18)
Other general operating and administrative expenses	**13,440**	12,047	1,393	11.56
Subtotal	**52,314**	50,901	1,413	2.78
Tax and surcharges	**1,854**	1,699	155	9.12
Total	**54,168**	52,600	1,568	2.98
Cost-to-income ratio	**28.83%**	31.73%	Down 2.90 percentage points	
Cost-to-income ratio (excluding tax and surcharges)	**27.84%**	30.71%	Down 2.87 percentage points	

3.2.1.9 Credit and Other Asset Impairment Losses

During the reporting period, the Group's credit impairment losses and other asset impairment losses totaled RMB77.255 billion, an increase of RMB19.022 billion or 32.67% over the previous year. Specifically, allowance for impairment losses on loans and advanced to customers was RMB68.793 billion, representing an increase of RMB21.040 billion or 44.06% over last year. Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's allowance for impairment losses on loans and advances to customers.

Unit: RMB million

Item	2019	2018	Increase/ decrease	Growth Rate (%)
Loans and advances to customers	**68,793**	47,753	21,040	44.06
Interest receivable	**2,103**	3,034	(931)	(30.69)
Financial investments	**4,267**	1,074	3,193	297.30
Interbank business (Note)	**26**	(23)	49	Negative last year
Other receivables	**390**	6,098	(5,708)	(93.60)
Off-balance-sheet items	**1,100**	(50)	1,150	Negative last year
Repossessed assets	**576**	347	229	65.99
Total	**77,255**	58,233	19,022	32.67

Notes: Including the impairment losses on deposits and placements with, and loans to banks and non-bank financial institutions, and financial assets held under resale agreements.

3.2.1.10 Income Tax

During the reporting period, the Group's income tax expense was RMB7.551 billion, representing a decrease of RMB1.399 billion or 15.63% over last year. The Group made actively guided its business structural adjustment, and increased the proportion of tax-free assets. Effective tax rate of the Group during the reporting period stood at 13.35%, down 3.12 percentage points over last year.

3.2.2 Balance Sheet Analysis

3.2.2.1 Assets

As at the end of the reporting period, the Group recorded total assets of RMB6,750.433 billion, an increase of 11.27% from the end of the previous year, mainly because the Group increased its loans and advances to customers and financial investments.

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**3,997,987**	**59.2**	3,608,412	59.5
Accrued interest of loans and advances to customers	**10,104**	**0.2**	8,338	0.1
Less: Allowance for impairment losses on loans and advances to customers [(1)]	**(115,489)**	**(1.7)**	(101,100)	(1.7)
Net loans and advances to customers	**3,892,602**	**57.7**	3,515,650	57.9
Total financial investments	**1,863,351**	**27.6**	1,588,416	26.3
Accrued interest of financial investments	**17,021**	**0.3**	15,117	0.2
Less: Allowance for impairment losses on financial investments [(2)]	**(6,776)**	**(0.1)**	(3,370)	(0.1)
Net financial investments	**1,873,596**	**27.8**	1,600,163	26.4
Investment in associates and joint ventures	**3,672**	**0.1**	3,881	0.1
Cash and deposits with central banks	**463,158**	**6.9**	538,708	8.9
Deposits and placements with, and loans to banks and non-bank financial institutions	**325,844**	**4.8**	275,313	4.5
Financial assets held under resale agreements	**9,954**	**0.1**	10,790	0.2
Others [(3)]	**181,607**	**2.6**	122,209	2.0
Total	**6,750,433**	**100.0**	6,066,714	100.0

Notes: (1) Including allowances for impairment losses on loans and advances to customers measured at amortized cost and allowances for impairment losses on accrued interest of loans and advances to customers measured at amortized cost.

(2) Including allowances for impairment losses on financial investments measured at amortized cost and impairment losses on accrued interest of financial investments measured at amortized cost.

(3) Including precious metals, derivative financial assets, investment properties, fixed assets, intangible assets, goodwill, use right assets, deferred income tax assets and other assets, etc.

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB3,997.987 billion total loans and advances to customers (excluding accrued interest), up by 10.80% over the end of the previous year. Net loans and advances to customers accounted for 57.7% of total assets, down by 0.2 percentage point over the end of the previous year. The Group's balance of loans and advances to customer measured at amortized cost took up 92.1% of total loans and advances to customers. The table below sets out the classification of the Group's loans and advances to customers by measurement attribute.

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customer measured at amortized cost	**3,682,283**	**92.1**	3,511,892	97.3
Loans and advances to customer measured at fair value through other comprehensive income	**308,789**	**7.7**	96,520	2.7
Loans and advances to customer measured at fair value through profit or loss	**6,915**	**0.2**	–	–
Total loans and advances to customers	**3,997,987**	**100.0**	3,608,412	100.0

Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's loans and advances to customers.

Financial Investments

As at the end of the reporting period, the Group recorded RMB1,863.351 billion total financial investments (excluding accrued interest), up by RMB274.935 billion or 17.31% over the end of the previous year, mainly because the growth in the Group put more investments in debt securities and funds.

Classification of the Group's financial investments by product is set out in the table below.

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Investment in debt securities	**1,234,308**	**66.3**	944,623	59.5
Investment funds	**218,491**	**11.7**	189,176	11.9
Investment in wealth management products and through structured entities	**187,169**	**10.0**	228,618	14.4
Trust management plans	**160,265**	**8.6**	178,068	11.2
Certificates of deposit and interbank certificates of deposit	**51,658**	**2.8**	40,763	2.6
Investment in equity instruments	**11,460**	**0.6**	7,168	0.4
Total financial investments	**1,863,351**	**100.0**	1,588,416	100.0

Classification of the Group's financial investments by measurement attribute is set out in the table below.

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Financial investments measured at fair value through profit or loss	**317,546**	**17.0**	308,872	19.4
Financial investments measured at amortized cost	**921,109**	**49.4**	773,178	48.7
Financial investments measured at fair value through other comprehensive income	**621,660**	**33.4**	503,659	31.7
Financial investments designated to be measured at fair value through other comprehensive income	**3,036**	**0.2**	2,707	0.2
Total financial investments	**1,863,351**	**100.0**	1,588,416	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,234.308 billion investment in debt securities, an increase of RMB289.685 billion or 30.67% over the end of the previous year, primarily because the Group optimized its asset allocation and increased investments in tax-light and capital-light government bonds.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Banks and non-bank financial institutions	**345,664**	**28.0**	207,254	22.0
Government	**674,782**	**54.7**	491,368	52.0
Policy banks	**97,561**	**7.9**	118,121	12.5
Business entities	**115,961**	**9.4**	125,796	13.3
Public entities	**340**	**–**	2,084	0.2
Total	**1,234,308**	**100.0**	944,623	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 31 December 2019.

Unit: RMB million

Name of Debt Securities	Book value	Maturity date (DD/MM/YY)	Coupon rate (%)	Accrued impairment allowance
Debt Securities 1	4,467	24/06/2020	2.51%	–
Debt Securities 2	4,379	18/07/2022	3.12%	–
Debt Securities 3	4,322	18/02/2021	2.96%	–
Debt Securities 4	3,919	02/07/2024	3.42%	–
Debt Securities 5	3,876	20/08/2029	5.98%	–
Debt Securities 6	3,500	20/12/2021	3.79%	0.47
Debt Securities 7	3,499	28/04/2020	4.20%	0.47
Debt Securities 8	3,445	14/08/2024	3.24%	–
Debt Securities 9	2,999	08/03/2021	3.25%	0.89
Debt Securities 10	2,990	28/03/2022	3.50%	0.40
Total	37,396			2.23

Note: There was no material change in the financial position of the above securities' issuers during the reporting period, and the allowance for impairment losses was accrued according to expected loss model as required by the accounting standards on financial instruments.

Investment in Associates and Joint Ventures

As at the end of the reporting period, the Group recorded RMB3.672 billion investment in associates and joint ventures, a decrease of 5.39% over the end of the previous year. As at the end of the reporting period, the Group's balance of allowance for impairment losses on investment in associates and joint ventures was zero. For relevant details, please refer to Note 24 "Investment in Associates and Joint Ventures" to the financial report.

Unit: RMB million

Item	31 December 2019	31 December 2018
Investments in joint ventures	**2,914**	2,759
Investments in associates	**758**	1,122
Allowance for impairment losses	**–**	–
Net investment in associates and joint ventures	**3,672**	3,881

Derivatives

The table below sets out major categories and amount of derivatives held by the Group as at the end of the reporting period. For relevant details, please refer to Note 20 "Derivative Financial Assets/Liabilities" to the financial report.

Unit: RMB million

	31 December 2019			31 December 2018		
	Nominal	**Fair value**		Nominal	Fair value	
Item	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**2,886,296**	**5,203**	**5,176**	1,845,632	6,106	5,974
Currency derivatives	**1,513,070**	**11,700**	**10,928**	2,595,674	24,826	24,501
Other derivatives	**12,715**	**214**	**732**	59,464	1,059	1,171
Total	**4,412,081**	**17,117**	**16,836**	4,500,770	31,991	31,646

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB3.494 billion, and charged RMB1.168 billion allowances for impairment losses on repossessed assets. The book value stood at RMB2.326 billion.

Unit: RMB million

Item	**31 December 2019**	31 December 2018
Original value of repossessed assets	**3,494**	2,928
— Land, premises and buildings	**3,491**	2,429
— Others	**3**	499
Allowances for impairment losses on repossessed assets	**(1,168)**	(725)
— Land, premises and buildings	**(1,168)**	(449)
— Others	**–**	(276)
Total book value of repossessed assets	**2,326**	2,203

Changes in Impairment Allowances

Unit: RMB million

Item	31 December 2018	Charge/ reversals during the period	Write-offs and transfer out during the current period	Others [1]	**31 December 2019**
Loans and advances to customers [2]	101,154	68,793	(60,686)	6,609	**115,870**
Financial investments [3]	4,394	4,267	(276)	4	**8,389**
Interbank business [4]	243	26	–	1	**270**
Other assets [5]	12,072	2,493	(10,387)	(130)	**4,048**
Off-balance-sheet items	4,543	1,100	–	3	**5,646**
Subtotal of allowances for credit impairment	122,406	76,679	(71,349)	6,487	**134,223**
Repossessed assets	725	576	(205)	72	**1,168**
Subtotal of allowances for other asset impairments	725	576	(205)	72	**1,168**
Total	123,131	77,255	(71,554)	6,559	**135,391**

Notes: (1) Including recovery of write-offs and impacts of exchange rate changes.

(2) Including allowances for impairment losses on loans and advances to customers measured at amortized cost, and allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(3) Including allowances for impairment losses on financial investments measures at amortized cost and impairment losses on financial investments measured at fair value through other comprehensive income.

(4) Including allowance for impairment losses of deposits and placements with, and loans to banks and non-bank financial institutions and financial assets held under resale agreements.

(5) Including allowance for impairment losses on other receivables and accrued interest of all financial assets.

3.2.2.2 Liabilities

As at the end of the reporting period, the Group recorded total liabilities of RMB6,217.909 billion, up 10.76% from the end of the previous year, primarily due to the increase in deposits from customers, deposits and placements from banks and non-bank financial institutions and debt certificates issued.

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Borrowings from central banks	**240,298**	**3.9**	286,430	5.1
Deposits from customers	**4,073,258**	**65.5**	3,649,611	65.0
Deposits and placements from banks and non-bank financial institutions	**1,043,661**	**16.8**	897,622	16.0
Financial assets sold under repurchase agreements	**111,838**	**1.8**	120,315	2.1
Debt certificates issued	**650,274**	**10.4**	552,483	9.9
Others [Note]	**98,580**	**1.6**	107,167	1.9
Total	**6,217,909**	**100.0**	5,613,628	100.0

Notes: Including held-for-trading financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payables, estimated liabilities, lease liabilities, deferred income tax liabilities and other liabilities.

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers (excluding accrued interest) were RMB4,038.820 billion, representing an increase of RMB422.397 billion or 11.68% over the end of the previous year; and deposits from customers accounted for 65.5% of total liabilities, an increase of 0.5 percentage point from the end of the previous year. The Group's balance of corporate deposits was RMB3,160.650 billion, representing an increase of RMB256.736 billion or 8.84% over the end of the previous year; and balance of personal deposits stood at RMB878.170 billion, representing an increase of RMB165.661 billion or 23.25% over the end of the previous year.

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,674,923**	**41.1**	1,521,684	41.7
Time and call deposits	**1,485,727**	**36.5**	1,382,230	37.9
Including: negotiated deposits	**83,539**	**2.1**	86,739	2.4
Subtotal	**3,160,650**	**77.6**	2,903,914	79.6
Personal deposits				
Demand deposits	**275,526**	**6.8**	262,960	7.2
Time and call deposits	**602,644**	**14.8**	449,549	12.3
Subtotal	**878,170**	**21.6**	712,509	19.5
Total deposits from customers	**4,038,820**	**99.2**	3,616,423	99.1
Accrued interest	**34,438**	**0.8**	33,188	0.9
Total	**4,073,258**	**100.0**	3,649,611	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**3,700,005**	**90.8**	3,283,244	90.0
Foreign currencies	**373,253**	**9.2**	366,367	10.0
Total deposits from customers	**4,073,258**	**100.0**	3,649,611	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

	31 December 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Head Office	**13,540**	**0.3**	12,749	0.4
Bohai Rim	**1,012,398**	**24.9**	889,733	24.4
Yangtze River Delta	**1,064,584**	**26.1**	891,975	24.4
Pearl River Delta and West Strait	**709,706**	**17.4**	657,033	18.0
Central	**534,637**	**13.1**	486,734	13.3
Western	**405,283**	**10.0**	376,039	10.3
Northeastern	**85,017**	**2.1**	83,730	2.3
Overseas	**248,093**	**6.1**	251,618	6.9
Total	**4,073,258**	**100.0**	3,649,611	100.0

3.2.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB532.524 billion, an increase of 17.53% over the end of the previous year. Among them, other equity instruments amounted to RMB78.083 billion, representing an increase of 123.38% over the end of the previous year, mainly due to the issuance of undated capital bonds and convertible corporate bonds; other comprehensive income was RMB7.361 billion, representing an increase of 39.70% over the end of the previous year, mainly due to the increase in allowance for impairment losses and revaluation reserves on financial investments. The table below sets out the changes in shareholders' equity in the Group during the reporting period.

Unit: RMB million

	2019							
Item	**Share capital**	**Other equity instrument**	**Capital reserve**	**Other comprehensive income**	**Surplus reserve and general risk reserve**	**Retained earnings**	**Non-controlling interest**	**Total**
31 December 2018	**48,935**	**34,955**	**58,977**	**5,269**	**108,705**	**179,820**	**16,425**	**453,086**
i. Profit for the period						**48,015**	**979**	**48,994**
ii. Other comprehensive income				**2,092**			**110**	**2,202**
iii. Capital contributed or reduced by shareholders		**43,128**					**(1,825)**	**41,303**
iv. Profit allocation					**11,839**	**(24,424)**	**(476)**	**(13,061)**
31 December 2019	**48,935**	**78,083**	**58,977**	**7,361**	**120,544**	**203,411**	**15,213**	**532,524**

3.2.4 Loan Quality Analysis

During the reporting period, the Group's asset quality significantly improved over the previous year, mainly reflected by a decline in NPL ratio and an increase in provision coverage ratio. As at the end of the reporting period, the Group registered RMB3,997.987 billion total loans, up by 10.80% over the end of the previous year; an NPL ratio of 1.65%, down by 0.12 percentage point over the end of the previous year; a 175.25% allowance coverage ratio, a rise of 17.27 percentage points from the end of the previous year; and a 2.90% ratio of allowance for loan impairment losses to total loans, up by 0.10 percentage point from the end of the previous year.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB1,955.519 billion, an increase of RMB74.394 billion or 3.95% over the end of the previous year; and its balance of personal loans reached RMB1,730.814 billion, an increase of RMB246.324 billion or 16.59% over the end of the previous year. Personal loans grew faster than corporate loans, and their balance took up a proportion of 43.29%, up by 2.15 percentage points over the end of last year. Balance of discounted bills increased by RMB68.857 billion over the end of the previous year. The Group's balance of corporate non-performing loans (excluding discounted bills) and that of personal non-performing loans increased by RMB1.801 billion and RMB288 million over the end of the previous year, respectively, corresponding to a 0.01 and 0.12 percentage point decline in their respective NPL ratios over the end of the previous year.

Unit: RMB million

	31 December 2019				31 December 2018			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio**	Balance	Proportion (%)	Balance of NPLs	NPL ratio
Corporate loans	**1,955,519**	**48.91**	**50,923**	**2.60**	1,881,125	52.13	49,122	2.61
Personal loans	**1,730,814**	**43.29**	**15,194**	**0.88**	1,484,490	41.14	14,906	1.00
Discounted bills	**311,654**	**7.80**	**0.00**	**0.00**	242,797	6.73	0.00	0.00
Total loans	**3,997,987**	**100.00**	**66,117**	**1.65**	3,608,412	100.00	64,028	1.77

Breakdown of Loans by Type of Guarantee

As at the end of the reporting period, the Group's loan guarantee structure was further improved. The balance of loans secured by collateral and pledge loans was RMB2,220.741 billion, an increase of RMB153.661 billion over the end of the previous year, accounting for 55.54% of the Group's total loans, down by 1.74 percentage points from the end of the previous year; the balance of unsecured and guaranteed loans was RMB1,465.592 billion, an increase of RMB167.057 billion over the end of the previous year, accounting for 36.66% of the Group's total loans, up by 0.67 percentage point from the end of the previous year.

Unit: RMB million

	31 December 2019		31 December 2018	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**976,047**	**24.41**	806,153	22.34
Guaranteed loans	**489,545**	**12.25**	492,382	13.65
Loans secured by collateral	**1,822,815**	**45.59**	1,658,485	45.96
Pledge loans	**397,926**	**9.95**	408,595	11.32
Subtotal	**3,686,333**	**92.20**	3,365,615	93.27
Discounted bills	**311,654**	**7.80**	242,797	6.73
Total loans	**3,997,987**	**100.00**	3,608,412	100.00

Concentration of Loans by Geographic Region

The Group's balances of loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta and West Strait ranked the top three, recording RMB1,224.035 billion, RMB920.846 billion and RMB598.313 billion, and accounting for 30.61%, 23.03% and 14.97% of the Group's total, respectively. In terms of growth rate, the Yangtze River Delta, the Central region and the Western region recorded the highest growth, reaching 17.35%, 15.39% and 9.46%, respectively. The Group's NPLs were mainly concentrated in the Bohai Rim, the Pearl River Delta and West Strait and the Western region, with the combined NPL balance reaching RMB45.106 billion, accounting for 68.22% of the total. In terms of incremental NPLs, the Pearl River Delta and West Strait registered the largest amount of RMB4.820 billion and its NPL ratio rose by 0.69 percentage point; followed by the Western region, which recorded RMB2.070 billion incremental NPLs and a 0.29 percentage point rise in its NPL ratio.

Main reasons for the change in the regional distribution of NPLs are as follows: First, risk exposures of the Pearl River Delta and West Strait, the Western region and other regions increased, coupled with the concentrated outbreak of the risk of some customers, resulting in more incremental NPLs in these regions. Second, after active disposal, existing NPLs were resolved to some extent in the Yangtze River Delta and other regions, so the growth rate of incremental NPLs slowed down and NPLs declined.

Unit: RMB million

	31 December 2019				31 December 2018			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio**	Balance	Proportion (%)	Balance of NPLs	NPL ratio
Bohai Rim [1]	**1,224,035**	**30.61**	**23,401**	**1.91**	1,123,293	31.13	25,050	2.23
Yangtze River Delta	**920,846**	**23.03**	**7,711**	**0.84**	784,722	21.75	9,146	1.17
Pearl River Delta and West Strait	**598,313**	**14.97**	**12,499**	**2.09**	549,491	15.23	7,679	1.40
Western	**474,109**	**11.86**	**9,206**	**1.94**	433,143	12.00	7,136	1.65
Central	**534,366**	**13.37**	**7,192**	**1.35**	463,100	12.83	8,479	1.83
Northeastern	**77,694**	**1.94**	**4,125**	**5.31**	75,682	2.10	5,068	6.70
Overseas	**168,624**	**4.22**	**1,983**	**1.18**	178,981	4.96	1,470	0.82
Total Loans	**3,997,987**	**100.00**	**66,117**	**1.65**	3,608,412	100.00	64,028	1.77

Note: (1) Including the Head Office.

Concentration of Corporate Loans by Sector

As at the end of the reporting period, rental and business services and real estate were the top two sector borrowers of the Group's corporate loans. Their loan balances recorded RMB352.732 billion and RMB288.975 billion, respectively. Specifically, loans granted to rental and business services took up 18.04% of the Group's total corporate loans, up by 3.01 percentage points from the end of the previous year; loans granted to real estate took up 14.78% of the total, down by 1.85 percentage points from the end of the previous year. In terms of growth rate, loans to the three sectors, namely, water, environment and public utilities management, rental and business services and construction grew relatively faster, up by 28.73%, 24.77% and 19.74% over the end of the previous year respectively, all higher than the average growth rate of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in two sectors, i.e., manufacturing sector and wholesale and retail sector, with their NPL balances standing at RMB15.687 billion and RMB11.861 billion respectively, collectively taking up 54.10% of the total corporate NPLs. And these two sectors' balance of NPLs decreased by RMB5.955 billion and RMB1.002 billion over the end of the previous year, corresponding to a 1.25 percentage points and 0.42 percentage point drop in their respective NPL ratios compared with the end of the previous year. The balance of the Group's NPLs in sectors of real estate, rental and business services, construction, water, environment and public utilities management increased by RMB2.344 billion, RMB1.902 billion, RMB1.304 billion and RMB532 million over the end of the previous year, respectively, with NPL ratios rising by 0.84, 0.40, 1.14 and 0.17 percentage points respectively. The balance of NPLs in sectors of transportation, storage and postal services, and production and supply of electric power, gas and water decreased by RMB724 million and RMB365 million respectively from the end of the previous year, and the NPL ratios decreased by 0.48 and 0.37 percentage point, respectively.

Main reasons for the rise of NPLs in some sectors include: First, due to the impact of real estate regulation and control, some real estate enterprises suffered a decline in operating results and solvency. Besides, construction enterprises closely related to real estate were also affected by the real estate market and confronted a decrease in business performance and a shortage of cash flows. Second, due to the decline in the growth rate of fixed asset investment and infrastructure construction, the sectors of water, environment and public utilities management, production and supply of electric power, gas and water, and rental and business services were affected by the shortage of market demand and other factors, resulting in intensified competition, declined profitability, and increased credit risk exposures.

Unit: RMB million

	31 December 2019				31 December 2018			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio %**	Balance	Proportion (%)	Balance of NPLs	NPL ratio %
Manufacturing	**257,675**	**13.18**	**15,687**	**6.09**	295,005	15.68	21,642	7.34
Real Estate	**288,975**	**14.78**	**3,426**	**1.19**	312,923	16.63	1,082	0.35
Wholesale and retail	**146,883**	**7.51**	**11,861**	**8.08**	151,391	8.05	12,863	8.50
Transportation, storage and postal service	**152,127**	**7.78**	**1,367**	**0.90**	151,038	8.03	2,091	1.38
Water, environment and public utilities management	**268,942**	**13.75**	**799**	**0.30**	208,922	11.11	267	0.13
Construction	**94,701**	**4.84**	**2,462**	**2.60**	79,086	4.20	1,158	1.46
Rental and business service	**352,732**	**18.04**	**3,944**	**1.12**	282,699	15.03	2,042	0.72
Production and supply of electric power, gas and water	**66,215**	**3.39**	**945**	**1.43**	72,938	3.88	1,310	1.80
Public and social organizations	**12,743**	**0.65**	**5**	**0.04**	13,366	0.71	0	0.00
Others	**314,526**	**16.08**	**10,427**	**3.32**	313,757	16.68	6,667	2.12
Total corporate loans	**1,955,519**	**100.00**	**50,923**	**2.60**	1,881,125	100.00	49,122	2.61

Concentration of Borrowers of Corporate Loans

The Group focused its attention on concentration risk control over its corporate loan borrowers. During the reporting period, the Group complied with the applicable regulatory requirements on concentration of borrowers. Since a single borrower was defined by the Group as a specific legal entity, one borrower could be the related party of another borrower.

Major regulatory indicator	**Regulatory Standard**	**31 December 2019**	31 December 2018	31 December 2017
Percentage of loans to the largest single customer (%) [(1)]	**≤10**	**2.27**	2.44	2.25
Percentage of loans to the top 10 customers (%) [(2)]	**≤50**	**13.12**	14.49	16.88

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

Unit: RMB million

		31 December 2019		
	Sector	**Balance**	**Percentage in total loans (%)**	**Percentage in net capital (%)**
Borrower A	Rental and business services	**14,427.09**	**0.36**	**2.27**
Borrower B	Real estate	**12,416.93**	**0.31**	**1.95**
Borrower C	Public management, social security and social organizations	**9,483.93**	**0.24**	**1.49**
Borrower D	Real estate	**7,456.01**	**0.19**	**1.17**
Borrower E	Accommodation and catering	**7,127.68**	**0.18**	**1.12**
Borrower F	Overseas institutions	**7,095.32**	**0.18**	**1.12**
Borrower G	Real estate	**6,800.00**	**0.17**	**1.07**
Borrower H	Manufacturing	**6,435.00**	**0.16**	**1.01**
Borrower I	Rental and business services	**6,193.70**	**0.15**	**0.97**
Borrower J	Transportation, storage and postal services	**6,006.30**	**0.15**	**0.94**
Total loans		**83,441.97**	**2.09**	**13.12**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB83.442 billion, taking up 2.09% of its total loans and 13.12% of its net capital.

Loan Risk Classification

The Group measures and manages the quality of its credit assets pursuant to the Guidelines on the Classification of Loan Risks formulated by the former CBRC. The guidelines requires Chinese commercial banks to classify their credit assets into five tiers, namely, pass, special mention, substandard, doubtful and loss, of which the last three classes are regarded as non-performing loans.

During the reporting period, the Bank continued to reinforce the centralized management of loan risk classification and kept enhancing the system for classified management of credit asset risks. While adhering to the core criteria of "safety of loan recovery", the Bank handled different tiers of loans with different risk management measures, taking into full consideration various factors that may impact the quality of credit assets.

The Bank's process for classification of loan risks includes the following steps: business departments conduct post-lending inspections in the first place, after which credit departments of the branches provide preliminary opinions, followed by preliminary classification by credit management departments of the branches; thereafter the branch risk directors review and approve the preliminary classification; and the Head Office gives the final approval. With regard to loans with material changes in risk profiles, the Bank adjusts their classification in a dynamic manner.

Unit: RMB million

	31 December 2019		31 December 2018	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Performing loans	**3,931,870**	**98.35**	3,544,384	98.23
Pass	**3,843,061**	**96.13**	3,459,343	95.87
Special mention	**88,809**	**2.22**	85,041	2.36
Non-performing loans	**66,117**	**1.65**	64,028	1.77
Substandard	**31,132**	**0.78**	26,141	0.72
Doubtful	**30,080**	**0.75**	30,779	0.85
Loss	**4,905**	**0.12**	7,108	0.20
Total Loans	**3,997,987**	**100.00**	3,608,412	100.00

Note: Performing loans include pass loans and special mention loans, while non-performing loans include substandard loans, doubtful loans and loss loans.

As at the end of the reporting period, the Group's balance of pass loans increased by RMB383.718 billion over the end of the previous year, and accounted for 96.13% of its total loans, representing an increase of 0.26 percentage point over the end of the previous year; and the balance of special mention loans increased by RMB3.768 billion, accounting for 2.22% of its total loans, down by 0.14 percentage point over the end of the previous year. The balance of the Group's NPLs recognized in accordance with the regulatory risk classification criteria stood at RMB66.117 billion, representing an increase of RMB2.089 billion over the end of the previous year; and its NPL ratio recorded 1.65%, down by 0.12 percentage point over the end of the previous year.

During the reporting period, the Group's NPL balance went up while NPL ratio went down. The main influencing factors included the following: (1) the overall asset quality of the Bank maintained steady. Meanwhile, the Bank implemented the "name list system" classification management for risk customers, focused on key accounts with non-performing loans, and strengthened the resolution of overdue loans, which showed effective results. (2) Due to the slowdown of macro-economic growth and the adverse impact of Sino-US trade frictions, the transformation difficulties of SMEs and private enterprises increased, and some enterprises faced difficulties in operation and fund pressure. These factors exposed some enterprises to growing credit risk.

At the beginning of 2019, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. With its pertinent measures for risk prevention and resolution, the changes in NPLs were within the Group's expectation and under its control.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five tiers during the reporting period.

	31 December 2019	31 December 2018	31 December 2017
Migration ratio of pass loans (%)	**1.80**	2.53	1.96
Migration ratio of special mention loans (%)	**23.03**	48.27	35.16
Migration ratio of substandard loans (%)	**23.97**	73.53	46.05
Migration ratio of doubtful loans (%)	**8.77**	41.91	32.05
Ratio of migration from performing to NPLs (%)	**1.83**	1.63	1.45

As at the end of the reporting period, the Bank's ratio of migration from performing to NPLs was 1.83%, an increase of 0.20 percentage point over the end of the previous year. The reason behind this change is that the Bank tightened the criteria for recognition of non-performing loans, downgrading a lot of loans overdue for 2 months.

Loans Overdue

Unit: RMB million

	31 December 2019		31 December 2018	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**3,893,978**	**97.40**	3,511,853	97.32
Loans overdue [1]				
1-90 days	**53,866**	**1.35**	37,391	1.04
91-180 days	**13,976**	**0.35**	13,181	0.37
181 days or more	**36,167**	**0.90**	45,987	1.27
Subtotal	**104,009**	**2.60**	96,559	2.68
Total loans	**3,997,987**	**100.00**	3,608,412	100.00
Loans overdue for 91 days or more	**50,143**	**1.25**	59,168	1.64
Restructured loans [2]	**22,792**	**0.57**	21,588	0.60

Notes: (1) Loans overdue refer to loans with principal or interest overdue for one day or more.

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

During the reporting period, the Group's overdue loans slightly increased due to the impact of the external economic environment, but the proportion of overdue loans went down. As at the end of the reporting period, the Group's balance of overdue loans recorded RMB104.009 billion, an increase of RMB7.450 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.08 percentage point over the end of the previous year. Of these overdue loans, 1.35% were short-term and/or temporary loans with a maturity of less than 3 months. The proportion of loans overdue for 90 days and more was 1.25%, a decrease of 0.39 percentage point from the end of last year. The increase in the balance of overdue loans was mainly due to the growing risk exposures in some regions and sectors. However, the proportion of overdue loans decreased, indicating an overall stable asset quality.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group's restructured loans stood at RMB22.792 billion loans, an increase of RMB1.204 billion in amount and a decrease of 0.03 percentage point in proportion from the end of the previous year.

Analysis of Allowance for Loan Impairment

The group set aside adequate allowance for loan impairment losses based on expected loss model as required by the new accounting standards on financial instruments in the light of customer default rate, default loss rate and many other quantitative parameters as well as macro perspective adjustments.

Unit: RMB million

	31 December 2019	31 December 2018
Impact of beginning conversions based on new accounting standards	**Not Applicable**	7,002
Beginning balance	**101,154**	97,905
Accruals during the period [1]	**68,793**	47,753
Write-offs and transfer-out	**(60,686)**	(46,938)
Recovery of loans and advances written off in previous years	**5,042**	2,441
Others [2]	**1,567**	(7)
Ending balance	**115,870**	101,154

Notes: (1) Equal to the net loan impairment losses recognized as accruals for the Group in the consolidated income statement of the Group.

(2) Including foreign exchange rate changes and others.

The Group set aside adequate allowance for loan impairment losses according to the principles of prudence and truthfulness. As at the end of the reporting period, the Group's balance of allowance for loan impairment losses registered RMB115.870 billion, up by RMB14.716 billion over the end of the previous year. The Group's ratio of balance of allowance for loan impairment losses to NPL balance (i.e., allowance coverage ratio) and ratio of balance of allowance for loan impairment losses to total loans (i.e., allowance for loan impairment losses to total loans) stood at 175.25% and 2.90%, up by 17.27 and 0.10 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB68.793 billion as allowance for loan impairment losses, an increase of RMB21.040 billion year on year. The reasons underlying the change in allowance accruals were: (1) The Bank increased the share of loans charging allowance for loan impairment losses; (2) The Bank enhanced its non-performing assets disposal and write-off, increasing its accruals for allowance for loan impairment losses; and (3) The Bank appropriately increased its allowance for impairment losses so as to enhance its risk resilience to better handle future uncertainty.

3.2.5 Major Off-Balance Sheet Items

As at the end of the reporting period, the Bank's major off-balance sheet items included credit commitments, capital commitments and pledged assets. The detailed items and balances are set out in the table below.

Unit: RMB million

Item	31 December 2019	31 December 2018
Credit commitments		
— Bank acceptance bills	**426,226**	393,851
— Letters of guarantee	**147,154**	158,813
— Letters of credit	**103,981**	92,924
— Irrevocable loan commitments	**52,211**	40,029
— Credit card commitments	**545,503**	434,590
Subtotal	**1,275,075**	1,120,207
Operating leasing commitments	**–**	12,934
Capital commitments	**3,457**	5,356
Pledged assets	**444,387**	473,399
Total	**1,722,919**	1,611,896

3.2.6 Cash Flow Statement Analysis

Net Cash Inflows from Operating Activities

The Group's net cash inflow from operating activities registered RMB116.969 billion, an increase of RMB14.653 billion over last year, primarily because the cash inflows resulting from the increase in deposits from customers and growth in interbank liabilities offset the cash outflows resulting from increase in loans and advances to customers and decrease in borrowings from central banks and gave rise to a net cash inflow higher than the previous year.

Net Cash Outflows Used in Investing Activities

The Group's net cash outflows used in investing activities recorded RMB253.064 billion, an increase of RMB108.491 billion from last year, mainly because securities investments increased over last year.

Net Cash Inflows Generated from Financing Activities

The Group's net cash inflows generated from financing activities registered RMB100.579 billion, an increase of RMB26.537 billion over last year, primarily because of the issuance of undated capital bonds.

Unit: RMB million

Item	2019	Year-on-year increase (%)	Main reason
Net Cash Inflows from Operating Activities	**116,969**	14.3	
Including: Cash inflow due to increase in deposits from customers	**417,812**	113.1	Increase in various deposits
Net cash inflow due to increase in interbank business (Note)	**50,330**	(45.1)	Increase in interbank liabilities
Cash outflow due to increase in loans and advances to customers	**(440,025)**	(2.4)	Increase in various loans
Cash outflow due to decrease in borrowings from central banks	**(44,840)**	(202.0)	Repayment of borrowings from central banks
Net Cash Outflows Used in Investing Activities	**(253,064)**	75.0	
Including: Proceeds from redemption of investments	**1,940,528**	39.0	Increase in sale and redemption of financial investments
Payments on acquisition of investments	**(2,190,629)**	42.7	Increase in financial investments
Net Cash Inflows Generated from Financing Activities	**100,579**	35.8	
Including: Proceeds from Issuance of debt certificates	**586,270**	(36.4)	Decrease in issuance of interbank deposit certificates and bonds
Proceeds of issuance of other equity instruments	**39,993**	1,096.3	Issuance of undated capital bonds
Principal repayment for issued debt certificates	**(486,792)**	(40.3)	Decrease in repayment of matured interbank deposit certificates and debt securities

Note: Including deposits and placements with, and loans to banks and non-bank financial institutions, financial assets held under resale agreements, deposits and placements from banks and non-bank financial institutions, and financial assets sold under repurchase agreements.

3.2.7 Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the International Financial Reporting Standards (IFRS) required the Group to make certain accounting estimates and assumptions when applying its accounting policies to determine the amounts of assets and liabilities as well as profits and losses for the reporting period. The accounting estimates and assumptions made by the Group were based on its historical experience and other factors such as reasonable expectations of future events. The key assumptions involved in such estimates and the judgment on uncertainties were reviewed on an on-going basis. Such accounting estimates and assumptions made by the Group were all appropriately recognized during the current period of the concerned changes and will be recognized as such during the subsequent periods of any impacts resulting from such changes.

The basis for preparing the Group's financial statements was influenced by estimates and judgments in the following main aspects: loans and advances to customers, classification and measurement of financial investments, impairment of financial investments, fair value of financial instruments, income tax, retirement benefit liabilities and judgments on the extent of control over investment targets.

3.2.8 Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	End of 2019/2019	Increase/ Decrease over previous year-end/ previous year (%)	Main reason
Precious metals	**6,865**	37.6	Increase in self-held precious metals
Derivative financial assets	**17,117**	(46.5)	Decrease in revaluation net gain from currency derivatives
Use right assets	**12,390**	–	Item added as per the implementation of new lease rules
Deferred income tax assets	**32,095**	38.5	Increase in deductible temporary differences
Other assets	**87,556**	140.1	Increase in advances, settlement and clearing accounts
Derivative financial liabilities	**16,836**	(46.8)	Decrease in revaluation of currency derivatives
Tax payables	**8,865**	80.2	Decrease in balance of income tax payable
Lease liabilities	**10,896**	–	Item added as per the implementation of new lease rules
Other equity instruments	**78,083**	123.4	Increase in equity by issuance of undated capital bonds and convertible corporate bonds
Other comprehensive income	**7,361**	39.7	Increase in allowances for impairment losses on and revaluation reserves of financial investment
Credit impairment loss	**(76,679)**	32.5	Increase in loan impairment losses
Other asset impairment losses	**(576)**	66.0	Increase in allowances for impairment losses on repossessed assets

3.2.9 Segment Report

3.2.9.1 Business Segments

Major business segments of the Group include corporate banking, retail banking and financial markets business. The table below lists the operating results of the Group for the reporting period by business segment.

Unit: RMB million

	2019				2018			
Business Segment	Segment Operating Income	Proportion (%)	Segment Profit before tax	Proportion (%)	Segment Operating Income	Proportion (%)	Segment Profit before tax	Proportion (%)
Corporate banking	**93,790**	**49.9**	**22,764**	**40.3**	87,823	53.0	25,573	47.1
Retail banking	**71,284**	**37.9**	**19,633**	**34.7**	57,525	34.7	16,623	30.6
Financial markets business	**19,476**	**10.4**	**14,941**	**26.4**	16,712	10.1	12,529	23.1
Others and unallocated	**3,331**	**1.8**	**(793)**	**(1.4)**	3,706	2.2	(399)	(0.8)
Total	**187,881**	**100.0**	**56,545**	**100.0**	165,766	100.0	54,326	100.0

Note: In 2019, the Group adjusted its business segments for internal management purposes, and restated the comparative figures.

3.2.9.2 Geographical Segments

The Group operates mainly in the Chinese mainland, with branches and sub-branches covering 31 provinces, autonomous regions and municipalities. London Branch officially commenced operation in 2019. Subsidiaries CIFH and CNCB Investment were registered in Hong Kong, while Lin'an CITIC Rural Bank and CITIC Financial Leasing were registered in China. The table below lists the operating results of the Group for the reporting period by geographical segment.

Unit: RMB million

	31 December 2019				2019	
	Total assets (1)		Total liabilities (2)		Profit before tax	
Geographical Segments	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Head Office	**2,733,418**	**40.7**	**3,312,559**	**53.3**	**37,148**	**65.7**
Yangtze River Delta	**1,400,247**	**20.8**	**1,021,511**	**16.4**	**10,891**	**19.3**
Pearl River Delta and West Strait	**810,404**	**12.1**	**624,170**	**10.0**	**3,226**	**5.7**
Bohai Rim	**1,440,563**	**21.4**	**1,212,606**	**19.5**	**2,980**	**5.3**
Central	**656,139**	**9.8**	**554,658**	**8.9**	**4,337**	**7.7**
Western	**585,993**	**8.7**	**457,021**	**7.4**	**(2,804)**	**(5.0)**
Northeastern	**106,531**	**1.6**	**94,420**	**1.5**	**(2,539)**	**(4.5)**
Overseas	**338,452**	**5.0**	**272,066**	**4.4**	**3,306**	**5.8**
Elimination	**(1,353,409)**	**(20.1)**	**(1,331,112)**	**(21.4)**	**–**	**–**
Total	**6,718,338**	**100.0**	**6,217,899**	**100.0**	**56,545**	**100.0**

Notes: (1) Excluding deferred tax assets.
(2) Excluding deferred tax liabilities.

Unit: RMB million

	31 December 2018				2018	
	Total assets (1)		Total liabilities (2)		Profit before tax	
Geographical Segments	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Head Office	2,445,696	40.5	2,084,629	37.1	25,144	46.3
Yangtze River Delta	1,184,230	19.6	1,191,150	21.2	10,980	20.2
Pearl River Delta and West Strait	812,520	13.5	800,478	14.3	8,020	14.8
Bohai Rim	1,255,616	20.8	1,228,822	21.9	6,532	12.0
Central	594,775	9.8	596,075	10.6	4,134	7.6
Western	539,071	8.9	524,880	9.4	(229)	(0.4)
Northeastern	97,329	1.6	106,680	1.9	(3,537)	(6.5)
Overseas	338,573	5.6	282,868	5.0	3,282	6.0
Elimination	(1,224,270)	(20.3)	(1,201,970)	(21.4)	–	–
Total	6,043,540	100.0	5,613,612	100.0	54,326	100.0

Notes: (1) Excluding deferred tax assets.
(2) Excluding deferred tax liabilities.

3.3 Business Overview

Unless otherwise specified, this section analyzes data and information from the Bank's perspective.

3.3.1 Capital Market Focuses

3.3.1.1 Review of the 2018-2020 Development Plan Implementation

During the reporting period, the 2018-2020 Development Plan was well implemented, with the completion ratio of planned key projects reaching 97.61%, which can be manifested from the following six aspects:

The three business segments showed a good development momentum. The Bank continued to promote the improvement of its business structure from "One Body Two Wings" to "Troika", making the structure more coordinated and stable and more resilient against the economic cycle. As a result of the Bank's greater effort in the integrated management of corporate banking business, total deposits from corporate customers exceeded RMB3 trillion and corporate customers increased by 112,900. The Bank successfully earned a number of key strategic customers including Alibaba, China UnionPay, Beijing Automotive Group and China Mobile. The retail banking business took a strategic step to build two major ecosystems of ageing finance and going abroad finance, actively created new models of customer acquisition via mobile channels and platforms, and continuously improved customer management and service experience with the help of big data and precision marketing technology. Net operating income of the retail banking business registered RMB68.840 billion accounting for 38.63% of the Bank's total. The financial markets business enhanced its capability to grasp market opportunities, realizing gains from bond trading of RMB1.122 billion, gains from foreign exchange trading of RMB1.08 billion, and estimated profit of equity assets under management of RMB2.617 billion. The volume of new products conforming to the new regulations on asset management reached RMB374.598 billion, up by 359.21% from the end of last year.

The differentiated regional development strategy was accelerated. In line with the national strategies for regional development, the Bank put forward the "differentiated and echelon-based" regional positioning and development strategy, dividing its tier-one branches into three categories, i.e., "strategic pivotal branches, key regional branches and regional branches with good potential". Priority was placed on developing the strategic pivotal branches, favoring them with resources in terms of credit allocation, product pricing, review and approval, technology, and manpower. As at the end of the reporting period, the proportion of deposits of the strategic pivotal branches grew by 0.75 percentage point over the end of last year; the proportion of operating income of key regional branches went up by 1.17 percentage points year on year; and the balance of problem loans of regional branches with good potential decreased.

Comprehensive and internationalized operation made breakthroughs. During the reporting period, the Bank's the London Branch was opened for business, and the Bank pressed ahead with the applications for approval on upgrading the Sydney Representative Office and the establishment of Hong Kong Branch. The application for establishment of CITIC Wealth Management Co., Ltd. was approved. To earnestly implement the Belt and Road Initiative, the Bank successfully held the China-Kazakhstan High-tech Enterprise Forum in Kazakhstan, where ten corporate customers entered into the memorandum of cooperation. CIFH, CNCB Investment, CITIC Financial Leasing and Lin'an CITIC Rural Bank all achieved steady growth; CITIC aiBank further enhanced its ecological expansion ability and market influence; and NPL ratio of JSC Altyn Bank maintained the lowest among commercial banks in Kazakhstan.

Technology empowerment for business development was furthered. The Bank continued to increase its investment in technology. The branch module of the Software Center was officially put into operation, the agile IT organizational structure was basically in place, and the whole-process research and development period was shortened by 90 days, more than 50% faster. More than 100 precise financial services of "AI+ data" were implemented, and the comprehensive capability of research and development, operation and maintenance integration maturity came to the leading level in China. The new-generation business system with cloud architecture independently designed and owned by the Bank was launched in the Credit Card Center, becoming the first safe localization case of hardware and software in the financial industry.

Risk prevention and control system improved continuously. The Bank worked to establish the principal responsible person mechanism for operation, the principal responsible person mechanism for management and the full-time approver mechanism, and formulated responsibility identification measures for non-performing assets. It also strengthened unified credit extension management featuring unified credit extension policy for legal-person customers and formulated unified credit extension management plans for subsidiaries, and promoted differentiated credit extension policies and plans, further balancing risk prevention and development. In addition, the Bank reinforced the management of on- and off-balance-sheet financing businesses with focus on management and control of non-performing assets, greatly improving the overall quality of assets.

Management support was further enhanced. The finance sharing project and the centralized operation center were launched, and the performance management system and the new-generation internal fund transfer pricing (FTP) system were put into operation, which greatly improved the operation and management efficiency. RMB40 billion of convertible bonds and RMB40 billion of undated capital bonds were successfully issued. Talent support, assessment and incentives were strengthened as the Objectives and Key Results (OKR) assessment was carried out on a trial basis. Multiple channels were used to select and foster managers and 3,983 employees were included to the "Double Hundred Double Thousand"[1] talent bank. Corporate culture building was enhanced, and the cultivation of the characteristic cultures of the Head Office and branches was furthered, with the publicity activities of "CITIC Stories" held.

3.3.1.2 Asset Management Business

Since PBOC, CBIRC and other regulators successively issued a series of regulatory documents such as the *Guiding Opinions on Regulating Asset Management Business of Financial Institutions and the Measures for the Regulation of Wealth Management Business of Commercial Banks* (collectively "the New Regulations on Asset Management") in 2018, the Bank has taken multiple measures accordingly to accelerate the rectification of its wealth management business and moved forward with the transformation of the asset management business. First, the Bank attached strategic importance to the asset management business transformation, established the Leading Group for Asset Management Business Transformation led by the senior management and defined the division of responsibilities of each department. It strengthened coordination in resource allocation and made strategic arrangement of its asset management business. Second, the Bank issued more NAV products with the marketing effort mainly spent in monetary and fixed-income products, drew up plans on expanding multiple asset investment business globally, strengthened the competitiveness of asset allocation products for high-end customers including carte blanche asset management, and created characteristic product groups such as cross-border/foreign currency and equity products, realizing rapid growth of scale and proportion of NAV products. Third, to reach the standard of non-standardized asset investment proportion, the Bank controlled non-standardized assets strictly according to the regulatory requirements through formulating plans for reduction of existing non-standardized assets and cutting the size of non-standardized assets by the means of early recovery, issuance of asset-backed securities in the public market, etc. Fourth, the Bank examined the existing assets, conducting comprehensive assessment of repayment ability, repayment willingness, collateral value, collateral disposal and other factors of the borrowers and identifying risks on a case-by-case basis, and stepped up efforts in risk mitigation according to the principle of "accelerated recovery and proper disposal". Fifth, the Bank sped up the preparation and establishment of the wealth management subsidiary with 14 preparatory teams to improve its organizational structure. It also enhanced its risk management capability and moved faster to rectify existing non-performing assets. On 4 December 2019, the application for establishment of CITIC Wealth Management Corporation Limited was approved by the CBRIC.

During the reporting period, adhering to the strategic positioning of "market-oriented, digitalized, platform-based, high value, high technology, high quality", the Bank pushed forward the transformation of its wealth management business. It actively reduced non-standardized assets via moving non-standardized assets back to the balance sheet and early repayment agreement with customers, and the non-standardized met the asset investment proportion requirements across the Bank. In the meantime, the Bank sorted out the existing assets according to duration, risk situation, transaction structure and other dimensions of existing projects, made comprehensive use of new and old products, and set up multiple plans for undertaking, reduction, returning the assets to the balance sheet and sale, to continuously promote the rectification of existing assets and product transformation. In the future, in accordance with the orientation of "managing other people's wealth on their behalf as entrusted" in the *New Regulations on Asset Management*, the Bank will strengthen the tiered management of customers and proactively meet requirements on the proper investors. It will carry out solid work in active risk management and allocation of general-category assets, strengthen the allocation of standardized bond assets and term match of non-standardized asset investments, and make appropriate arrangements in equity assets and cross-border market operations based on willingness and ability of customers to take risks so as to address the needs of customers. And the Bank will transform toward NAVs at the product end and investments measured thorough fair value and held-for-trading purpose in the investment strategy end in consideration of customers' risk preference and wealth management needs, and refined management will be enhanced in aspects of custody, operation, information disclosure, compliance and risk control.

1 A human resources project with the aim of building four teams, i.e., operational and managerial talents, internationalized talents, professional talents and youth backbones, to implement the 2018-2020 Development Plan of the Bank.

3.3.1.3 Analysis on the Impact of LPR Formation Mechanism

On 16 August 2019, PBOC officially released an announcement on the loan prime rate (LPR) formation mechanism, according to which the LPR is calculated by adding a few basis points to the interest rate of the medium-term lending facility (MLF), while the quoting banks are expanded and the new maturity is added. The continuous market-oriented interest rate reform has witnessed the cancel of upper and lower limits of lending rates. However, benchmark lending and deposit rates still exist along with the market interest rates. Therefore, the LPR formation reform marked a significant step to merge market rates and lending benchmark rates as well as a milestone in the market-oriented interest rate reform. Such an effort will put pressure on interest spread and profitability of banks, narrowing interest margin in the short term, while will improve the monetary policy transmission mechanism, cut down on the financing costs of enterprises, and provide strong support to resume vitality of macro economy in the long term. In addition, the LPR formation reform puts forward higher requirements on lending risk pricing capability and liability cost management of commercial banks. In response, commercial banks should change their mindset in terms of overall strategy, operation and management to quickly adjust the strategic direction, clarify customer positioning, improve forward-looking and dynamic management of assets and liabilities and strengthen innovation.

Since the launch of LPR mechanism in 2013, the Bank, as one of the ten quoting banks, has undertook the responsibility of LPR promotion, participated in various market-oriented interest rate reform endeavors, and improved its internal management policies, laying a well-established foundation in terms of policy publicity, system building and actual application. As a core member of the market interest rate self-discipline mechanism and a quoting bank, it understands the important role of this reform in reducing the financing cost of enterprises and enhancing the vitality of microeconomic entities, thus actively promoting the rapid and steady implementation of relevant reform policies. In addition to doing a good job in the relevant fundamental work in the promotion of LPR application in the short term, the Bank has continued to improve the interest rate pricing management system to increase its independent pricing capability. In terms of LPR application, the share of loans newly granted by the Bank using LPR has surpassed 90%, and the target requirement of the PBOC on the LPR application ratio at the end of the first quarter of 2020 was met in advance in November 2019. In terms of LPR quotations, the Bank has set up a scientific quotation model and a highest-quality customer identification system to ensure each quote truly and accurately reflects the actual market supply and demand in the quoting period. In terms of refined pricing management, the Bank has further optimized the FTP price formation mechanism according to the requirements of the reform, and built a more refined loan risk pricing model to meet the needs of the market-oriented interest rate reform. In addition, it has further strengthened the management of deposit cost and maintained the Bank's comparative advantage in deposit cost by reasonably balancing quantity and price of market-oriented liabilities, promoting tiered customer pricing management and establishing the deposit cost ratio management target system.

In the future, the Bank will continue to perform the duty of quoting bank and prepare to welcome the further deepening of the market-oriented interest rate reform. First, it will enhance the transmission of national reform policies, continuously deepen the LPR application in new loans, and promote the conversion of existing floating rate loans to LPR loans in a steady and orderly manner. Second, it will further improve the loan risk pricing model, continue to increase the rationality of the measurement model, and steadily promote the application of these models in interest rate pricing, to strengthen the risk pricing ability of the Bank. Third, it will deepen deposit cost management, maintain market order and stability as an important market participant, and implement tiered pricing of deposits through customer interest rate sensitivity model and other tools to improve the refined management. Fourth, the Bank will grasp the opportunity of LPR application in existing floating rate loans to strengthen the combination of interest rate risk management of the banking book and operation so as to effectively manage risk exposures.

3.3.1.4 Disposal and Resolution of Non-performing Assets

During the reporting period, the Bank further strengthened the management of on- and off-balance sheet financing business and the management and control of non-performing assets, significantly improving the overall asset quality. It implemented "name list-based" classified management of risk customers, monitored and worked to resolve risks. Specifically, the Bank stepped up efforts to restructure, recover, collect, transfer in batch and write off overdue loans, and the effect of resolving overdue loans manifested itself. Moreover, to enhance asset quality management and control, it carried out quarterly evaluation and reporting on asset quality, where the reduction of corporate loans overdue for 0-30 days, 31-60 days and over 61 days was the focus. As at the end of the reporting period, NPL ratio of the Group stood at 1.65%, a drop of 0.12 percentage point from the end of the previous year. Please refer to Chapter 3 "Management Discussion and Analysis—Loan Quality Analysis" of this report for analysis of asset quality of the Group.

During the reporting period, the Bank further strengthened risk prevention and control as well as the resolution of non-performing assets, further improving the disposal structure. During the reporting period, while ensuring that the asset quality met the regulatory target, the Bank disposed of RMB80.602 billion principal of non-performing assets in total (including the Credit Card Center), which consumed RMB60.395 billion (including debt-for-equity swaps) write-off resources. With the great importance attached to debt-for-equity swap, by taking the measures such as the establishment of a debt-for-equity leading group, formulation and revision of management measures and organization of project implementation, the Bank steadily moved forward with debt-for-equity swaps to prop up the development of the real economy. As at the end of reporting period, the Bank carried out passive debt-for-equity projects organized by competent authorities or courts of approximately RMB3.990 billion. Later in terms of passive debt-for-equity projects, the Bank will further streamline the business procedures, improve relevant policies, and enhance the post-investment management of equities swapped from debts and refined management of projects to be carried out, to promote the health development of debt-for-equity business.

3.3.1.5 Achievements of Second Retail Banking Transformation

During the reporting period, retail banking witnessed deeper transformation and thus contributed more to the value growth of the Bank with increasing endogenous growth momentum and emerging systematic development advantage. In terms of operating performance, net operating income from retail banking registered RMB68.840 billion, accounting for 38.63% of the Bank's total; fee-based business generated more income with non-interest income reaching RMB38.780 billion, accounting for 66.75% of the Bank's total; retail customers exceeded 100 million, including about 850,000 VIP customers[2] and over 40,000 private banking customers. Retail AUM increased by 17.85% year on year to over RMB2 trillion. Personal deposits amounted to RMB700 billion, up by more than RMB150 billion for the second consecutive year. Personal loans excelled in both quantity and quality with the loans granted in the year exceeded RMB500 billion and NPL ratio decreasing for the fourth consecutive year. Monthly active users of Mobile Banking and Mobile Card Space were both over 10 million. The number of credit cards issued totaled 83.32 million and accumulated trading volume exceeded RMB2.5 trillion. In terms of operating system, being customer-centric, the Bank built and improved its product system, channel system, operation system and brand system, and preliminarily established the ecology and scenario-based platform. It set up the fission-style customer marketing system to carry out high-quality scenario-based customer acquisitions, launched the open agency payment platform, upgraded the agency payment business process, and established the open account and product system to provide more online and intelligent products and services. It made overall arrangements on digital transformation of outlets, steadily promoted the integration of channels, built the basic framework of open banking, and worked for scenario and ecosystem building. It gave play to the advantages of ageing finance and going abroad finance, and developed the open going abroad finance ecosystem and the ageing finance ecosystem covering the whole life cycle.

During the reporting period, to strengthen long-term competitive edge and sustainable development capability of retail banking, the Bank made forward-looking arrangements on and advanced its digital transformation, and worked out the *Opinions on High-quality Development of Retail Banking Through Bank-wide Transformation and Upgrading*. It put forward the 2020-2023 retail doubling plan, according to which, the Bank will comprehensively deepen and speed up the digital transformation from two dimensions of organizational reform and capability building to boost high-quality development of retail banking.

2 Refers to personal customers with average daily AUM at the Bank between RMB500,000 (inclusive) and RMB6 million.

3.3.1.6 Financial Technology and Information Technology

During the reporting period, the Bank continued to increase investments in information technology infrastructures and accelerated the introduction and training of IT personnel. The total spending on IT recorded RMB4.894 billion. As at the end of the report period, there were 3,182 IT line personnel (excluding subsidiaries), accounting for 5.93% of the total employees of the Bank[3], providing effective resources and intellectual guarantee for the business development and digital transformation of the Bank. To achieve IT-empowered business development, the Bank worked for business transformation via digitalization, and moved faster to introduce more talents and improve organization and process, continuously enhancing the ability of IT governance, IT innovative application & services and safe operation. To be specific, it put into operation a number of key products and systems in aspects of centralized operation, smart marketing, open banking, channel integration, Mobile Banking 6.0, inclusive finance, and opening of the wealth management subsidiary, and obtained level-3 certification for continuous delivery with its excellent performance in integration of R&D, operation and maintenance. It also accelerated the effort in business expansion in the fields of artificial intelligence and blockchain, and implemented more than 100 precise financial services via "AI+ data". The Blockchain Trade Finance Alliance Platform initiated by the Bank had more than 20 bank members, with the on-chain transaction volume exceeding RMB100 billion. What's more, intensive monitoring of bank-wide information systems, networks and computer rooms was realized; the service capability maturity of the data center reached the level of excellence; the overall operation of the systems was stable throughout the year; and the availability of major information systems and core networks hit a record high.

During the reporting period, the Bank actively implemented the strategy of the financial sector on independent research and development of core systems, and promoted the integration of financial businesses with IT in innovative ways. StarCard, the new core system of the credit card business developed and designed independently by the Bank, was successfully put into operation on 26 October 2019. As the first new-generation credit card core business system with cloud architecture obtaining independent intellectual property right in China, the official launch of StarCard comprehensively improved the three-dimensional integration of "new services, new technologies and new management" and effectively increased and improved the financial product service supply of the Bank. During the reporting period, the Bank won the awards of "2019 China Financial Technology Most Influential Award" and "2019 FinTech Star" for its StarCard and excellence in financial technology. By making full use of its technological advantages in innovation and independent research, the Bank will continue to improve its comprehensive financial service capability, focus on independent research and development of cloud platform and ecological cultivation and construction, and give full play to the strengths of new core systems in technology empowerment, to create a number of financial technology products with its own characteristics. Besides, as a response to the call of the financial technology strategy, the Bank will work with domestic benchmark enterprises and strive to make the independently-developed core financial information technologies better, stronger and more popular.

The Bank actively promotes the application of financial technology in digital transformation of retail banking business and reshaping of retail banking development model to strengthen the core competitiveness. During the reporting period, the Bank continued to make strong moves in channel building, intelligent application, scenario expansion and payment innovation. In terms of channel building, to consolidate main customer service channels, Mobile Banking 6.0 was launched, where the online intelligent customer service and real-time intelligent recommendation service were upgraded and "Xin Miao Dai" (means CNCB instant loans), wealth management, intelligent collection and payment, information and other functions were added; and the module of municipal services developed together with 21 branches made debut and versions exclusive for private banking customers and elderly customers were released. In terms of intelligent applications, based on user behavior analysis system, the Bank enriched customer labels and improved the efficiency of precise customer marketing. The result has been that more than 100 million customer contacts were made as recommended by AI applications, and AUM of customers acquired through online marketing grew by more than RMB40 billion. The Bank also gave full play to its cloud marketing platform to implement digital management of content, customers and activities, and enhance fission-style customer acquisition efficiency with digital operation. In terms of scenario development, the Bank made use of the open bank technology to broaden the service boundary, and built the scenario-based ecosystems of life services such as health care and going abroad finance in cooperation with institutions in these sectors, providing customers with comprehensive "financial + non-financial" services. In terms of payment innovation, the Bank Launched "Xin Yin Zhi Hui" (means CNCB cross-border foreign exchange settlement)[4], the first one-stop cross-border bank collection platform in China, providing safe, efficient and low-cost service of foreign exchange settlement for retail export funds of domestic cross-border e-commerce merchants.

3 As at the end of the reporting period, the Bank (excluding subsidiaries) had 53,703 employees.

4 The Bank's one-step cross-border collection platform providing domestic e-commerce merchants with the service of collection and settlement of cross-border e-commerce export funds. The main functions include merchant registration, real-name authentication, overseas collection account service, cash withdrawal in foreign exchange settlement and user data analysis, supporting withdrawal with all accounts opened at commercial banks of China. It features safety, efficiency and low cost.

3.3.2 Corporate Banking Business

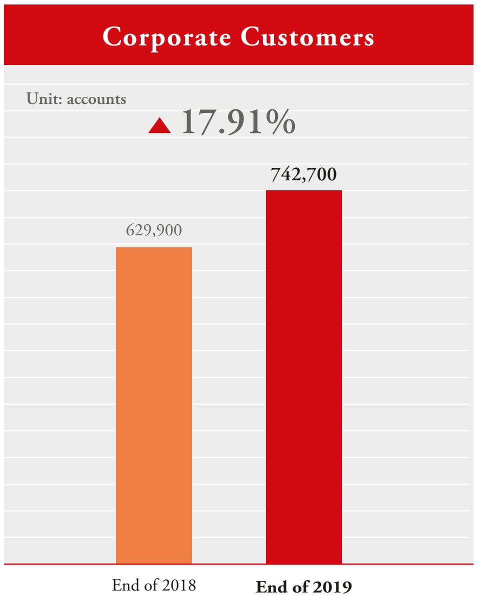
The Bank's corporate banking business followed the general principle of pursuing progress while ensuring stability and improving business transformation, taking the initiative and pursuing practical results in such aspects as advancing business transformation, expanding market, consolidating business foundation, refining business structure and highlighting business features. During the reporting period, the Bank achieved effective transformation of the corporate banking business with a sound development momentum, enhanced business vitality, and improved development ability, with main business indicators better than the same period of the previous year.

The Bank explored more about how it could provide better services to core enterprises, endeavored to develop customers at upstream and downstream, and leveraged customer transaction chain, fund chain and equity chain to acquire customers in batches and achieved high-quality increase of corporate customers. In terms of quantity growth, the Bank strengthened customer expansion, and focused on building the multi-dimensional customer acquisition channels to win batches of high-quality customers. In terms of quality improvement, the Bank took the advantages of high-quality products and precision marketing to continue to increase transaction activities and enhance the existing customer stickiness. At the same time, the Bank stepped up the building of the marketing service system for base corporate customer groups, basically set up a team of managers for corporate customers without loans, and improved and optimized the new corporate customer relationship management system.

The Bank realized RMB88.420 billion net operating income from its corporate banking business for the reporting period, an increase of 7.01% over last year, representing 49.61% of its total net operating income. This amount included RMB14.080 billion net non-interest income from corporate banking, representing 24.24% of the Bank's total net non-interest income.

3.3.2.1 Corporate Customer Management

During the reporting period, the Bank achieved good results in managing its strategic customers and institutional customers. As at the end of the reporting period, the Bank recorded 742,700 accounts of corporate customers in total, an increase of 112,900 accounts over the end of the previous year. This number included 178,800 accounts of base corporate customers[5], an increase of 15,500 accounts over the end of the previous year, and 113,000 accounts of effective customers[6], an increase of 4,393 accounts over the end of the previous year.



Management of Strategic Customers

The Bank accelerated the integrated management of strategic customers. The customer departments took the lead in customizing differentiated comprehensive financial solutions for strategic customers at the Head Office level and branch level and provided "quality service, preferential price and preferential treatment", thus deepening the comprehensive cooperation with a number of key strategic group customers and strongly supporting the development of leading enterprises in the pillar industries in economy. The Bank pursued chain marketing toward strategic customers. Comprehensive services, bulk customer acquisition and cross-marketing were carried out around strategic customers and enterprises in ecosystem such as the industrial chain and fund chain, which effectively enhanced the overall contribution of strategic customers and supported the development of a large number of SMEs in the strategic customer ecosystem. Through in-depth industrial specialized marketing, the Bank fostered specialized management teams for internet, equipment manufacturing, automobile, construction and other fields, provided tailor-made comprehensive solutions for specific industries and explored new "big single product" for the industry to further improved the industrial specialized service for customers from key industries.

During the reporting period, the Bank's daily average balance of deposits from strategic customers stood at RMB982.531 billion[7], an increase of 13.18% over the previous year; and operating income reached RMB29.899 billion, an increase of 7.10% over the previous year. As at the end of the reporting period, the Bank's balance of loans to strategic customers stood at RMB768.420 billion, an increase of 10.60% over the end of previous year, showing good overall loan quality.

5 Refers to corporate customers with daily average deposit of RMB100,000 and above.

6 Refers to corporate customers with daily average deposit of RMB500,000 and above.

7 Balance of deposits, operating income and balance of loans of strategic customers are counted according to the list of strategic customers adjusted and confirmed by the Bank. To boost data comparability, relevant growth rates are adjusted according to changes in the scope of customers.

Management of Institutional Customers

The Bank unleashed its distinctive strengths in institutional business, deepened its customer system, product system, marketing management system and team building system, and focused on two major tasks of marketing and management based on its credit resources, financial resources and human resources to win initial success of CITIC Bank as a government financial service brand. Following the "2-3-4"[8] operating philosophy, the Bank built a comprehensive "9-4-1"[9] institutional business operation system. Riding on the development opportunities available from "Internet + Government" and inclusive finance, the Bank pushed forward products including "Party Dues Connect" and the "Smart Payment" platform for education and "Tobacco ePayment" and expanded the coverage of products, offering payment management and other comprehensive financial services to institutional customers and the general public these customers serve, which effectively enhanced customer stickiness. During the reporting period, the Bank further deepened cooperation with institutional customers at all levels. The Bank signed the *Cooperation Agreement on Veterans Services* with the Ministry of Veterans Affairs, the strategic partnership agreement with China Tobacco and Harbin Institute of Technology and the memorandum of cooperation with GACC (General Administration of Customs People's Republic of China), entered into strategic cooperation agreements with local governments of Urumqi, Hangzhou, Fuzhou, etc. and secured important qualifications and accounts in a wide spectrum of fields, including public finance, social security, tobacco, housing and medical insurance.

As at the end of the reporting period, the Bank recorded 37,100 accounts of institutional customers[10] of various types and RMB368.892 billion balance of loans for these customers, an increase of 18.27% over the end of the previous year. Such loans were mainly invested in urban construction, land and housing, transportation, and education, science, culture and health. The Bank's institutional customers had a 0.37% NPL ratio and recorded good asset quality in the overall sense. During the reporting period, the institutional customers registered RMB1,103.087 billion daily average deposits, an increase of 1.93% over last year. The integrated platform for institutional business and asset management set by the Bank facilitated RMB55.687 billion of urban investment bonds, which further improved the image of CITIC Bank as a government financial service brand.

3.3.2.2 Corporate Deposit Business

The Bank stuck to pursue progress amid stability, and exerted every effort to advance its corporate banking transformation, deepen the integrated customer management and develop transaction banking, thus realizing the steady growth of corporate deposits. During the reporting period, the Bank continued to lead the joint-stock banks in terms of the total amount of corporate deposits. Its period-end balance of corporate deposits exceeded RMB3 trillion to reach RMB3,041.330 billion, an increase of RMB266.455 billion over the end of last year; its daily average balance stood at RMB2.94 trillion, an increase of RMB170.754 billion over last year. As at the end of the reporting period, the Bank's balance of structured deposits accounted for 9.35% of the total, a relatively low level among joint-stock banks. The cost rate of its corporate deposits was 2.04%, up by 0.15 percentage point compared with the end of last year. Against the backdrop a general rise in market interest rates, the Bank managed and controlled its cost of corporate deposits effectively.

3.3.2.3 Corporate Loan Business

In response to the national development strategies, the Bank made concerted effort to support the private sectors and the real economy, and focused on refining business structure, highlighting business features and consolidating business foundation. As at the end of the reporting period, the Bank's balance of corporate loans (excluding discounted loans) stood at RMB1,774.645 billion, an increase of RMB97.950 billion or 5.84% over the end of previous year; average interest rate of existing corporate loans (excluding discounted loans and overdue loans) was 5.54%.

As at the end of the reporting period, the balance of loans to those industries in the support categories such as the business services, public utility management, railway and road transportation and pharmaceutical sectors increased by a combined amount of RMB85.032 billion over the end of the previous year. In contrast, industries in the "strict control", "reduce" and "exit" categories such as the low-end manufacturing and over-capacity sectors recorded a combined decline of RMB4.603 billion compared with the end of the previous year. The mix of corporate loans was further optimized.

8 "2" stands for fund flows and business flows; "3" stands for systematic, specialized and IT-assisted; "4" means the four principles of following 2 flows, building systems, seizing nodes and delivering comprehensive services.

9 "9" means nine vertical business systems, i.e. public finance and taxation, social security and civil affairs, state-owned land and housing, military, customs and judicial, education and scientific research, medical and health, tobacco and utilities, culture and tourism, platform and transport; "4" means four horizontal segments, i.e. accounts, customers, funds and means; "1" means one core, i.e. the public finance and taxation system.

10 Due to its needs for management of corporate customers, the Bank reclassified the existing institutional customers and made corresponding regressive calculation of the beginning base figures.

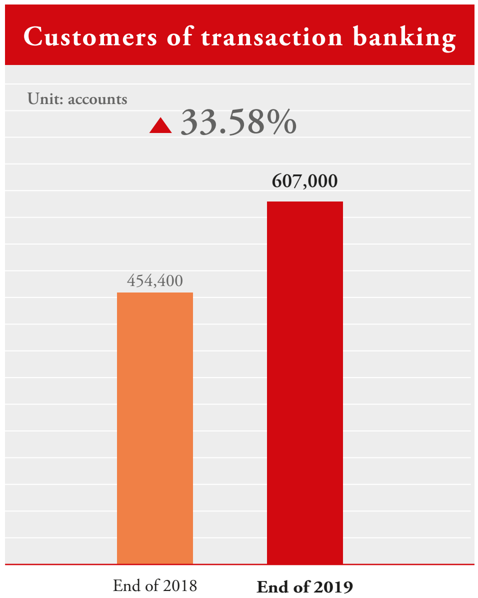
3.3.2.4 Key Corporate Businesses

Transaction Banking Business

The Bank regarded the transaction banking as an important pivot for the transformation of the corporate business, established the Transaction Banking Department, and vigorously developed the transaction banking business. Combined with the development trend of providing online corporate business, the Bank continued to improve the corporate electronic channels and launched a new version of corporate Mobile Banking APP to meet the need of mobile financial services of SMEs. It built a corporate online financing platform to gradually shift business from the traditional offline model to a technology-driven online model, effectively solve the financing problems of upstream and downstream SMEs in the supply chain, and better serve the real economy. Besides, the Bank promoted the innovative research and development of payment and settlement products targeted at the field with frequent customer transaction activities to effectively meet the needs of customers, winning favorable response in the market. It set expert telephone service representatives and the online banking evaluation center for quick respond to customer, and adopted agile and iterative development to improve the channel system and significantly improve customer experience. During the reporting period, the Bank won the 2019 "Best Corporate Internet Banking Innovation Award" from the China Financial Certification Center (CFCA).

As a "big single product" of corporate banking of the Bank, auto finance has remained a market leader since the Bank introduced the business in 2000 as the first to do so in the industry. As at the end of the reporting period, the Bank's auto finance business recorded cumulative loans of RMB301.017 billion to 4,150 auto business partners. The balance of outstanding financing was RMB104.951 billion with an overdue advance ratio of merely 0.06%. The asset quality maintained in good condition. During the reporting period, the Bank's auto finance business won it the honors of "Enterprise for Innovative Financial Services" and "Best Bank for Auto Financial Services" for the sixth consecutive year in the selection of "China Auto Golden Engine Awards" by the China Automobile Dealers Association and *21st Century Business Herald*.

As at the end of the reporting period, the Bank recorded 607,000 accounts of customers in transaction banking, a growth of 152,600 accounts or 33.58% over the end of the previous year. During the reporting period, transaction banking completed 97.2114 million transactions, an increase of 21.6435 million or 28.64% over last year. The transaction amount recorded RMB64.70 trillion.



Investment Banking Business

The Bank took investment banking business as an important pillar for implementing the strategy on becoming the company offering the best comprehensive financial services, made every effort to consolidate the traditional advantages of investment banking business and continued to launch innovative products. It vigorously developed such businesses and products as bond underwriting, M&A financing, syndicated loans, and equity financing. As a result, its investment banking maintained a relatively fast pace of development.

During the reporting period, the Bank successfully assisted a group of M&A projects that supported the development of the real economy and served the supply-side structural reform through M&A financing. By virtue of the outstanding performance of the syndicated loan business and its prominent influence in the syndicated loan market, the Bank was awarded the "Best Management Bank" for syndicated loans by the China Banking Association in 2019. The Bank continued to pursue innovation-driven development. It issued the first 20-year Medium-term Note (MTN) on the market, setting a record for the longest maturity of debt financing instruments. It also underwrote several green MTNs to effectively guide proceeds raised by bond issuance to support designated fields of the real economy.

During the reporting period, the Bank's investment banking achieved RMB9.678 billion business income, up by 7.44% over the previous year. It underwrote 641 debt financing instruments totaling RMB440.868 billion in amount, ranking 3th[11] and 5th[12] as for the number of instruments and the value respectively.

11 Ranking based on Wind Info data.

12 Ranking based on Wind Info data.

International Business

The Bank's international business adhered to their original mandate of serving the real economy and maintained a steady growth. The balance of assets on the FT account[13] broke the RMB10 billion mark, an increase of 90% year on year, and fee-based business income and operating income doubled year on year. The Bank made many electronic innovations, with its blockchain forfaiting platform becoming the largest blockchain trade finance platform in the domestic banking industry its "settlement plus" innovation with CITIC aiBank carried out, and the first online settlement system of "market procurement trading" in China launched. What's more, the Bank provide onshore guarantees for offshore loans portfolio products and services to a number of rail transportation, manufacturing and pharmaceutical customers, with an increase of over 370% in transaction volume year on year. It implemented multiple Belt and Road Initiative export credit projects, with the balance of asset of RMB3.141 billion at the end of last year and the reserve amount for projects exceeding USD5 billion.

During the reporting period, the Bank's forex purchase and sale recorded USD138.630 billion; its forex receipts and payments for international balance of payments registered USD237.462 billion, about same as last year. Its cross-border Renminbi receipts and payments amounted to RMB325.413 billion, a year-on-year increase of 9.76%. The Bank's forex purchase and sale, forex receipts and payments for international balance of payments and cross-border Renminbi receipts and payments continued to be in the forefront of joint-stock banks.

Asset Custody Business

The Bank implemented the requirement of "vigorously developing the custody business" laid down in the 2018-2020 development plan. During the reporting period, the Bank pushed ahead key products including mutual funds, matchmaking business and occupational annuities. The Bank ranked among the top few banks in the custody scale of mutual funds, seeing further improvements in the asset custody business' value contribution to the corporate banking segment. During the reporting period, the Bank won the "Custodian Bank of the Year" from *The Asian Banker*, the only recipient of the international award among joint-stock banks.

The comprehensive value contribution of the Bank's custody business continued to increase. As a typical "asset light, capital light and cost light" business and an important component of the Bank's green non-interest income, the Bank realized RMB3.106 billion of income from custody business during the reporting period, ranking second[14] among all joint-stock banks, and accounting for a stable percentage of its fee-based income. The custody scale broke the RMB9 trillion mark and rose to RMB9.14 trillion, up by RMB697.958 billion and 8.28% over the end of last year. The custody accounts continued to beef up deposit growth, recording an average daily balance of RMB300.152 billion, of which the average daily balance of general deposits on the custody accounts was RMB101.863 billion. During the reporting period, the Bank made all-out marketing and successfully won the bid for the custodianship of the occupational annuity plans of the central government organs and institutions and 25 provincial-level administrative regions. It has launched 14 occupational annuity plans with a custody scale of RMB25.427 billion.

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13 Namely free trade account, which refers to the local and foreign currency account following uniform rules and opened by financial institutions under the free trade accounting unit according to the needs of customers.

14 According to the statistics released by the China Banking Association.

Inclusive Finance Business

By fully implementing policies and plans made by the CPC Central Committee and the State Council and actively implementing the policy requirements of regulators such as PBOC and CBIRC, the Bank did a good job in risk prevention and control while granting more inclusive financial loans.

During the reporting period, by adhering to the development philosophy of being "humane, mission-driven, considerate and benevolent" for inclusive finance, the Bank continued to improve the institutional arrangements for such business development, build a "value inclusive" system and expand the scope of outlets to set up inclusive finance departments in 20 key branches. Meanwhile, the Bank improved the inclusive financial development model. It implemented the integration of inclusive finance "policy, process, product, system, risk and brand" in the Head Office, and the centralized operation and management including "review, approval, disbursement and post-lending" in branches, and set up professional teams such as customer managers. The Bank developed a series of standardized products based on the characteristics of micro and small enterprises as well as real scenarios and real use, and created a business model of "core enterprise + upstream and downstream + ecosystem" relying on its advantages in large customers. It built an online customer service channel system, developed supply chain financial products such as "Chain e-Loan, Government e-Loan, Bill e-Loan", as well as "Logistics e-Loan" with support of financial technology, which is the first such product in the industry and it takes only 5 minutes from loan application to granting. The Bank promoted products including loan renewal without repayment of principal, medium and long-term loans, revolving credit and installment repayment to solve the loan renewal difficulties of micro and small enterprises. Besides, the Bank strengthened the Party building and leadership, formulated an integration plan of "Party building + inclusive finance", fed micro and small enterprises with policy dividends, equipped them with bonuses, fees and subsidies, and continuously improved the weight of performance appraisal to actively support business development.

In terms of risk management and control, the Bank balanced the relationship between business development and risk management and control according to regulatory requirements and its own circumstance, and built an inclusive finance risk management system with CITIC Bank's characteristics. Leveraging financial technology such as blockchain, cloud computing and face recognition, integrated multi-dimensional big data such as "micro and small enterprises + micro and small business owners" and "basic data + behavioral data + transaction data", the Bank researched and developed the automated review and approval model and intelligent risk control system to refine loan management, strengthen the monitoring over the flow of loan funds, clarify the risk tolerance requirements and implement the due diligence policy, leading to the effective control over risks.

As of the end of reporting period, the balance of inclusive finance loans meeting the assessment requirement of CBIRC[15] reached RMB204.255 billion, an increase of RMB67.902 billion over the end of the previous year. The number of customers with outstanding loans was 113,300, an increase of 31,200 from the end of the previous year. Both the NPL balance and NPL ratio of inclusive finance loans decreased, and the NPL ratio was lower than the overall NPL ratio of the Bank; the loan interest dropped amid stability and achieved positive results in response to the difficulties and high costs of financing of small and micro enterprises. The Bank's balance of inclusive finance loans in line with the assessment requirements of PBOC on targeted RRR (Deposit Reserve Ratio) cuts[16] was RMB225.277 billion, an increase of RMB76.321 billion or over 50% from the end of the previous year, an incremental value accounting for 20% of the Bank's new loans, which met the assessment standard of PBOC that "the deposit reserve ratio shall be lowered by 1.5 percentage points on the basis of the required deposit reserve ratio benchmark".

15 Refer to the loans for small enterprises, micro enterprises, individual businesses, and small and micro business owners, with the total single-account credit amount of RMB10 million or below.

16 Refer to the small and micro enterprise loans, operating loans for private businesses and small and micro business owners, production and operation loans for farmers, startup guarantee loans, consumer loans for impoverished people with established poverty files and cards, and student loans, with the single-account credit amount of less than RMB10 million.

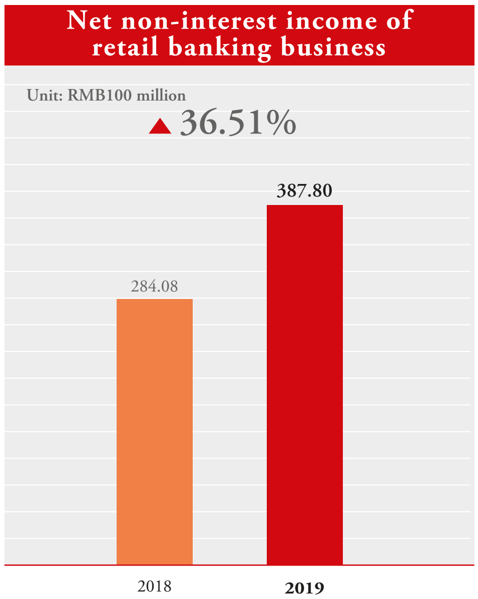
3.3.3 Retail Banking Business

During the reporting period, in response to internal and external economic and financial situations such as deepening financial reform and opening-up, accelerated integration of financial technology and citizens' rising awareness of wealth management, the Bank spared no efforts in the development of retail banking business and enhanced the adaptation among customers, products and channels through improving channel capabilities, expanding customer base, strengthening product driving model and bettering service experience and relying on its digital capacity building. What's more, the Bank strategically developed the two ecosystems of ageing finance and going abroad finance, pushed forward agency payroll service through coordination between retail and corporate banking, and developing new approaches to acquire customers through mobile channels and platforms. It made continuous efforts to develop unique products such as Xinjin Bao, robo-advisor, family trust, carte blanche asset management, mobile banking and credit card, and prioritized the advancement of three major business areas, i.e., asset business, wealth management and payment settlement. With the support of big data and precision marketing technology, the Bank sustained relatively fast growth of its retail banking business while constantly upgrading customer management and service experience.

During the reporting period, the Bank realized RM68.840 billion net operating income from retail banking, an increase of 24.38% over last year, accounting for 38.63% of its total net operating income. Of this amount, RMB38.780 billion was net non-interest income, up by 36.51% from last year, taking up 66.75% of the Bank's total net non-interest income, an increase of 10.01 percentage points over prior year.

3.3.3.1 Retail Customer Management

Placing equal importance on acquisition of new customers and maintenance of existing ones, stressing both stratified and grouped management of customers, the Bank improved its retail customer management system and achieved breakthrough growth in the number of retail customers. As at the end of the reporting period, the Bank recorded 102.2015 million accounts of retail customers, a growth of 15.72% over the end of the previous year; and 890,000 accounts of medium-to-high-end customers[17], representing a growth of 21.10% over the end of the previous year.



The Bank provided comprehensive financial and non-financial services relying on ecological scenarios to key customer groups such as going abroad customers, elderly customers and female customers, strengthening the brand image of a retail bank "with a human touch". For going abroad customers, the Bank built a going abroad financial ecosystem integrating "online + offline" an "financial + non-financial" services. Through the ecosystem, the Bank met all financial needs of different types of customers before, during and after overseas travel, study and business, provided cross-border remittance for overseas study and UK visa application, developed an exclusive "CITIC Global Visa Application" mini APP, and offered the latest information, services and rights and interests to members of "CITIC Horizon" going abroad finance club. Aimed at female customers (the actual controller of family wealth), the Bank established an offline female salon activity system represented by the "Youth of Wealth Intelligence", and launched the "Lipstick Wealth" marketing campaign online. As at the end of the reporting period, the Bank's going abroad customers registered 6.6878 million, an increase of 18.09% over the end of the previous year, and the number of female customers was 16.1335 million, an increase of 20.53% over the end of the previous year.

17 Refers to customers each having at least RMB500,000 daily average AUM with the Bank.

During the reporting period, the Bank further strengthened the management of elderly customers. Putting great efforts in ageing finance and non-financial services and based on the comprehensive financial platforms consisting of bank, trust, securities and insurance under CITIC Group, the Bank improved the six major featured services for the elderly, covering finance, health, learning, entertainment, tourism, spiritual and cultural life. Meanwhile, the Bank became the first bank in China to launch financial products such as the credit card for the elderly up to 70 years old and deposits with interest withdrawn monthly to help the elderly realize the preservation, increase and inheritance of wealth, and ensured people's access to elderly care. It was also the first bank to introduce Health Bank featuring 24/7 family doctor services, thus ensuring the elderly's access to medical services. Cooperating with China National Committee on Ageing, the Bank published the *Financial Knowledge Manual for the Elderly*, the first of its kind in China, developed more than 20 sessions of intelligent life courses and organized 10,000 classes for the elderly, ensuring the elderly's access to learning. Meanwhile, the Bank organized colorful talent contest for the elderly to ensure their access to entertainment, and ensured the elderly's access to tourism by leveraging its 20 years' experience in going abroad finance. In addition, the Bank launched the happy life version of its Mobile Banking APP for the elderly where they can enjoy mobile financial services without the help of reading glasses. It also regularly delivered "three-kilometer ecosystem" discount services of nearby merchants to the elderly, ensuring their access to financial preferences. As at the end of the reporting period, the Bank had 13.7621 million elderly customers, an increase of 17.85% over the end of the previous year.

The Bank continued to strengthen its mechanism for interaction between corporate and retail banking businesses, launched "Easy Salary" open agency payroll platform where it upgraded the process for agency payroll service and connected to leading enterprises including Tencent Cloud, FESCO[18] and SF Express. As at the end of the reporting period, the Bank recorded 5.4102 million valid accounts of customers receiving its agency salary payments, up by 10.54% over the end of the previous year; and registered RMB228.721 billion retail AUM for these customers, up by 11.53% over the end of the previous year. During the reporting period, the Bank acquired 3,523 accounts of new base corporate customers through retail banking.

3.3.3.2 Personal Deposit Business

Starting from customer needs and experience, the Bank focused its efforts on product sale, marketing promotion and channel expansion, and pushed for the growth of personal deposits by multiple measures. In terms of product design, the Bank improved and launched new product functions to drive the growth of deposits. It continuously upgraded the functions of liability products, and launched structured deposit transfer, dual-currency portfolio plan and other key products, so as to offer better asset allocation plans for customers and solve their liquidity needs. Besides, it continued to launch innovative products sold based on scenarios, such as online certificates of deposits for going abroad financial customers and E-commerce Manager for e-commerce platforms, meeting customer needs under different scenarios. In terms of marketing promotion, the Bank implemented refined management and strengthened process management and control. Through integrating scenarios, products and marketing, the Bank enhanced customer deposit precipitation arising from fission-style customer acquisition, industry-wide customer acquisition, credit card conversion, going abroad finance, agency payroll and payment and settlement, and thus drove deposits growth in scale. As at the end of the reporting period, the Bank's balance of personal deposits registered RMB749.022 billion, an increase of 26.93% over the end of the previous year.

3.3.3.3 Personal Loan Business

In active response to the policy orientation of the government, the Bank vigorously supported the development of real economy and private economy, facilitated the residents' consumption upgrade, and achieved coordinated development of personal loan business in terms of profitability, quality and scale. What's more, the Bank continued to promote the standardized and intensified development of all products and whole process of personal loan business, built a strong system support, optimized the processes and functions of basic products such as mortgage, unsecured and pledged loans, explored customer demands in depth, and provided all-round financing services focusing on real scenarios and purposes. In terms of personal business loans, the Bank improved its product policies, specified operating standards, improved credit-extending functions, and adopted diversified credit-extending methods, thereby improving the convenience of customers' fund using, and facilitating the development of the small and micro real economy. In terms of online unsecured loans, the Bank built a layered review and approval system, explored the model of centralized accounting management for the business, improved the anti-fraud model, and continuously promoted the development of standardized "Xin Miao Dai" (means CNCB instant loans), providing customers with easy access to online loan services.

As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,177.743 billion, an increase of RMB161.259 billion or 15.86% over the end of the previous year. The Bank continued to grant personal housing loans in accordance with the real estate regulation and control requirements of governments at all levels in China. As at the end of the reporting period, the balance of such loans reached RMB760.246 billion, an increase of RMB131.031 billion or 20.82% over the end of the previous year.

18 Beijing Foreign Enterprise Human Resources Service Co., Ltd.

3.3.3.4 Key Businesses of Retail Banking

Wealth Management Business

The Bank strengthened customer relationship and expanded its wealth management business in response to market changes and in line with customer needs. In terms of wealth management, the Bank implemented the *New Regulations on Asset Management* and achieved obvious results in the transformation towards NAV products. As at the end of the reporting period, the Bank realized a 32.39% growth in the scale of existing NAV personal wealth management products over the end of the previous period. In terms of agency fund sale, in line with the market conditions, the Bank vigorously promoted the sale of money enhancement and fixed income enhancement products, achieving a 341.93% increase in the sale of non-monetary funds compared with the previous year. At the same time, the Bank improved its intelligent advisory service "CITIC Robo-Advisor"[19] to deliver self-built portfolios, smart Q&A and intelligent co-investment, and outperformed benchmark indices on the market in terms of the portfolio yield in the reporting period. In terms of agency insurance, the sales volume of risk protection and long-term savings insurance increased by 62.36% over the previous year and the business structure was further optimized in line with the regulatory requirements for the transformation aiming at "returning to the basics".

As at the end of the reporting period, retail customers of the Bank recorded total AUM balance of RMB2,105.283 billion and an AUM balance of RMB1,022.079 billion for VIP retail customers at the Bank, an increase of 17.85% and 20.82% over the previous year, respectively. During the reporting period, daily average AUM balance stood at 1,975.823 billion, up by 17.06% compared with last year.

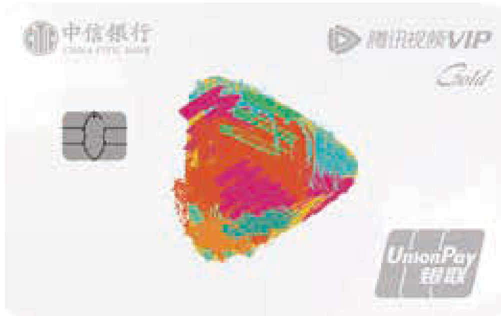
Private Banking Business

Aiming at "value creation together" and dedicated to building a "good taste, high-quality and strong brand" private banking service system, the Bank endeavored to enhance its capabilities for demand analysis and guidance, value creation and customer relationship marketing and management. By strengthening the optimization of resource allocation, relying on CITIC Group's resource advantages, and focusing on refined management and specialized operation, the Bank realized the transformation from single product sales to integrated financial services, from customer demand satisfaction to customer demand creation, from extensive operation to customer value enhancement, and from multi-position customer management to an exclusive "specialized, professional and knowledge-based" private banking marketing service team. Through these efforts, the Bank was able to provide customers with comprehensive financial services at three levels of "individual + family + enterprise" and held up to the brand proposition of "guarding the warmth of inheritance with good faith". During the reporting period, the private banking segment improved its capability for comprehensive customer management, integrated resources and provided customized services by introducing taxation and law firm experts, and the sales volume of two products of family trust and carte blanche private banking doubled, continuing to release customer value contribution.

As at the end of the reporting period, the accounts of private banking customers of the Bank exceeded 40,000 to stand at 41,900, representing an increase of 8,119 or 24.02% over the end of the previous year, and the AUM reached RMB573.905 billion, up by RMB104.534 billion or 22.27% over the end of the previous year. The Bank recorded RMB258.171 billion of NAV private banking products, an increase of 149.69%. During the reporting period, the Bank's private banking products raised RMB2.86 trillion fund and RMB2.337 billion's capital-light income was realized, accounting for 29.98% of the income from light capital business of retail banking.

19 "CITIC Robo-Advisor" is a one-click personal wealth solution of the Bank that integrates data analysis, quantitative analysis of quantitative models and qualitative research results of expert teams. It selects premium funds from the entire market of public offering funds to build investment portfolios. Through smart analysis of users' customer portraits, "CITIC Robo-Advisor" accurately recommends fund portfolios, tracks market trends in real time and provides user portfolios with diagnostic analysis and dynamic rebalancing services.

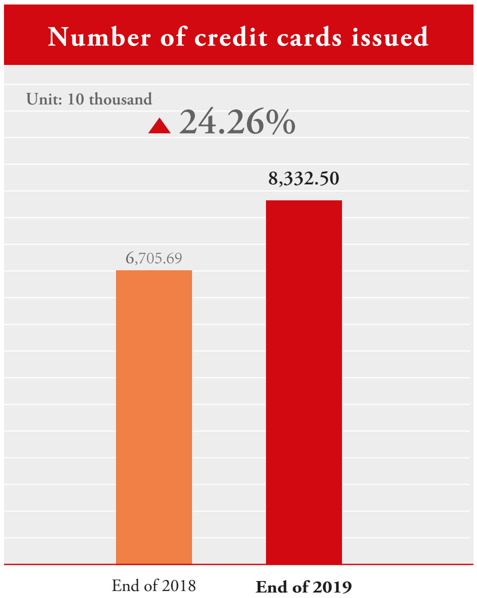
Credit Card Business



The Bank accelerated the normalized scenario expansion as well as the integration and innovation of scenarios, and moved faster to build a cross-industry cooperation system. During the reporting period, the Bank joined hands with domestic and overseas heavyweight partners such as Ctrip, Air China and VISA to provide customers with one-stop services covering the whole process of a trip ranging from air ticket booking, hotel reservation to visa application, and built a closed-loop business trip scenario of "CITIC Ecosystem". It also joined the pan-entertainment brand China Literature to explore the marketing model among fans, develop the fan economy by relying on the influence of writers registered at China Literature, and expand the influence of CITIC brand in cultural and entertainment scenarios. What's more, the Bank continuously deepened the business cooperation with internet enterprises such as Tencent and Alibaba, issued Tencent-WeChat co-branded card and Tencent Video co-brand card jointly with Tencent, and issued Fliggy co-branded card with the fliggy.com platform under Alibaba. Therefore, based on quality internet scenarios, the Bank further enriched the product system of online co-branded cards and improved its online customer acquisition and management capabilities.

The Bank continued to improve the layout of Mobile Card Space APP and new media platform. During the reporting period, the Bank newly released Version 6.0 of the Mobile Card Space APP, adding new features of "personalized services", "real-time pushing of account information" and "intelligent voice-based service handling", and hence improving user experience. Focusing on high-frequency life scenarios such as "eating, clothing, leisure, entertainment and purchasing" and in response to all-round consumption needs of all internet users, the Bank created an open "financial + non-financial" comprehensive service ecosystem, which effectively drove the monthly growth of active customers. In addition, based on forward-looking research, the Bank sped up the layout of new media platforms, actively explored new operation models and completed the matrix layout with "Alipay Service Account and Small APP" as the core supplemented by "short video, micro blog and community", resulting in growing fan scale and securing the Bank's position among the top rank in the industry.

Under the premise of compliant operation and risk prevention and control, and focusing on consumption as the original source of business growth, the Bank strictly implemented regulatory provisions, explored consumption scenarios, and continuously promoted the upgrading and transformation of installment business structure. During the reporting period, the Bank improved the product system of credit card installment business, developed and launched the new product "Merchant Scenario Installment", and devoted itself to providing customers with seamless high-quality financial services based on customer consumption. Valuing customer experience, the Bank paid attention to product functions, marketing activities and channels and adopted intelligent and refined means to provide customers with high-quality interactive experience, thereby fully protecting customers' rights and interests, and creating value for customers. At the same time, the Bank continuously improved the structure adjustment strategy for credit card customer group, and devoted itself to introducing medium- and high-value, medium- and low-risk customer groups such as asset customers with housing and cars, business travel customers and high-quality young customers. During the reporting period, the Bank established a digital marketing system to realize refined and differentiated marketing, which helped adjust the risk control and value enhancement of new customers.



As at the end of the reporting period, the Bank issued a cumulatively 83.3250 million credit cards, an increase of 24.26% over the end of the previous year, and recorded RMB514.250 billion balance of credit card loans, a growth of 16.33% over the end of the previous year. During the reporting period, the Bank's credit card transaction volume was RMB2,561.395 billion, an increase of 23.05% over last year; it realized RMB60.509 billion income from credit card business, a growth of 31.47% over the previous year. In addition, the Bank actively promoted credit card asset-backed securitization (ABS) business, and cumulatively issued RMB3.052 billion credit card installment ABS products during the reporting period. It also disposed of RMB2.545 billion principal of credit card non-performing assets through non-performing asset ABS, effectively accelerating asset turnover.

Going Abroad Financial Services

Going abroad finance is a unique single product of the Bank's retail banking business with a history of over 20 years and a track record of serving going-abroad customers by more than 22 million person-times. Thanks to continuing business expansion, the Bank is now the authoritative financial institution in partnership with the embassies of 9 countries (including the USA, the UK, Australia and Singapore) for provision of visa services. The Bank has developed a system of products in four major categories, i.e., foreign currency liabilities and wealth management, cross-border settlement, visa, and credit certification.

During the reporting period, the Bank improved and enriched the products and benefits of its online going abroad financial services platform pursuant to its goal of becoming an leading service provider in personal foreign exchange business. In particular, the Bank launched products and services including "Overseas Study Remittance" for cross-border remittance and online reservation for foreign currencies, and continued to improve its competitive products and processes such as customized foreign currency deposits, and personal foreign exchange purchase and sale while it enhanced the compliance in its foreign exchange business. The Bank introduced the UK visa visiting service, and organized 239 activities, handling visa application for 16,900 person-times. It also held events together with the Italian Embassy in China to launch featured multi-entrance and multi-year visa service and Italian visa visiting service, further consolidating its professional authority and advantages in going abroad financial services. In addition, the Bank stepped up building of its going abroad financial services team, improved the professional competence of the 2,000 professionals engaged in going abroad financial services and personal foreign exchange business, and built a strong team of 400 well-rounded international planners.

As at the end of the reporting period, the Bank recorded 6.6878 million accounts of customers using its going abroad financial services, up by 18.09% over the prior year, and the corresponding balance of personal foreign currency deposits with the Bank reached USD5.609 billion, up by 8.09% over the end of the previous year.

3.3.3.5 Consumer Rights Protection and Service Quality Management

During the reporting period, the Bank was committed to a people-centered development philosophy, and shouldered its responsibilities. It continuously strengthened the building of system and mechanism for consumer right protection, regularly reviewed and supervised measures and procedures for implementation of consumer right protection, and reinforced the whole-process management and source control of all business links. In terms of organizational structure, the Head Office set up the Consumer Rights Protection Committee, with President of the Bank as the director and heads of 27 tier-one departments as members. 37 tier-one branches have established tier-one consumer protection departments. At the same time, the Bank revised series policies including the *Administrative Measures of CITIC Bank for Consumer Right Protection* to provide the policy guarantee for the integration of consumer right protection into corporate governance, the implementation of departments' responsibilities, the strengthening of decision execution and supervision mechanism, the establishment of review mechanism, and the improvement of information disclosure.

In term of complaint management, the Bank continuously improved the closed-loop management system of "complaint handling – bottlenecks targeting – problem solving – improvement evaluating", and complaints were recorded in the complaint system strictly in accordance with the complaint classification standard of *The Announcement on the Implementation of Statistical Classification and Coding of Financial Consumer Complaints for Banking Institutions* jointly issued by PBOC and CBIRC. Since 1 January 2020, the complaint classification data were submitted to the PBOC Head Office in real time. The Bank also upgraded the handling process, strengthened training and evaluation and improved complaint data analysis and application to achieve timely and effective complaint handling. During the reporting period, the timeliness ratio of first-call complaint handling at the Credit Card Center was 100.00%, enhancing customer experience and forging its retail brand with "a human touch".

In terms of financial knowledge dissemination, the Bank cooperated with PBOC, CBIRC and China Banking Association to carry out such activities as "'March 15 Banking and Insurance Consumer Protection Awareness Week", "Prevention Illegal Fundraising Awareness Month", "Protecting Your Pockets with Financial Knowledge", "Journey for Financial Knowledge" and "Financial Knowledge Education Month: Bring Financial Knowledge into Households, Being a Rational Investor and a Law-abiding Netizen". During the reporting period, the Bank held more than 5,000 publicity activities and distributed over 3.5 million copies of publicity materials. Those activities were reported more than 120 times by media and more than 60,000 messages on them were sent through WeChat and Weibo with over 30 million views and over 6 million customers.

3.3.4 Financial markets business

During the reporting period, in the face of the severe economic environments at home and abroad, the Bank adhered to the "asset-light, capital-light and cost-light" strategy in developing its financial market business, strengthened inter-segment collaboration and intra-segment coordination, and achieved good operating results by seizing market opportunities. During the reporting period, the Bank's financial markets business segment recorded operating income of RMB18.110 billion, a growth of 18.31% over last year, representing a 10.16% proportion in the Bank's total operating income. Of this income figure, non-interest income from financial markets business recorded RMB11.100 billion, an increase of 32.44% over last year, accounting for 19.11% of the Bank's total net non-interest income.

3.3.4.1 Interbank Business

In its interbank business, the Bank made active efforts to obtain the goals in the 2018-2020 development plan. Specifically, the Bank made pre-judgement of the market situation in advance, captured market opportunities, deepened the development of customer management system, actively adjusted the structure of existing assets, and increased the income from incremental assets, thus realizing steady increase in its operating indicators. As at the end of the reporting period, the Bank's balance of financial interbank assets (including deposits and placements with banks) recorded RMB271.688 billion, representing an increase of 22.21% over the end of the previous year; and its balance of financial interbank liabilities (including deposits and placements from banks) amounted to RMB994.949 billion, an increase of 17.04% over the end of the previous year.

Aiming to reduce the financing costs of enterprises, the Bank's bill business segment accelerated product innovation and the transformation of marketing service system by employing financial technology, so as to facilitate the development of small and medium enterprises. Focusing on supply chain financial services, the Bank boost the development of inclusive finance and further improved its quality and efficiency in serving the real economy. During the reporting period, the Bank's volume of bill discounting business reached RMB877.521 billion, up by 64.35% over the last year. The Bank's self-service electronic discounted bill products "Xin Miao Tie" and "Rapid Discount" recorded over 4,571 customers, with more than RMB222.716 billion financed, becoming an important starting point for the Bank to support inclusive finance. At the same time, the Bank employed re-discounting policy instruments to give full play to its role in providing targeted financial services for small and medium enterprises. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB392.208 billion, representing an increase of 16.77% compared with the end of the previous year; and the proportion of electronic bill business stood at 99.96%, representing an increase of 0.59 percentage point over the end of last year.

The Bank continued to research and develop new products and optimize exiting functions of the "CITIC Interbank+" platform, the key interbank financial service platform, resulting in constant improvements to customer experience. As at the end of the reporting period, the platform had 1,981 accounts of interbank legal-person customers, an increase of 62.91% over the end of the previous year.

3.3.4.2 Financial markets business

The Bank actively conducted money market transactions such as Renminbi interbank lending, borrowings and bond repos. While pushing ahead with innovations in trading mechanism, the Bank strengthened cooperation with peer customers, further broadened the financial channels, improved the operating results of short-term capital, and thus consolidated and enhanced its position as a core dealer in the money market. During the reporting period, the Bank recorded a total volume of money market transactions of RMB31.82 trillion, up by 45.29% over the previous year. At the same time, the Bank fully leveraged active liability financing instruments such as interbank certificates of deposit. The Bank issued RMB536.710 billion interbank certificates of deposit leading the market.

The Bank offered pertinent and multi-layer exchange rate risk management solutions to meet customer needs for financing and value preservation, cross-border M&A, hedging forex receipt and payment, and management of Renminbi and foreign currency denominated assets and liabilities by its innovative exchange rate product portfolios including forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped customers achieve value preservation and appreciation of their forex assets. During the reporting period, the Bank completed USD13.86 trillion forex market making transactions, up by 2.67% from last year, and continued to be among the top ones in list of market makers on the interbank forex market. The Bank followed market trends, intensified band operation, flexibly adjusted the portfolio duration, and optimized the bond asset structure while increasing the spread income. It actively tapped the relative value change of different bonds, increased the percentage of RMB bonds with relatively low proportion of risk assets and foreign currency bonds with relatively high yields in portfolios, achieving the return on assets of the bonds and portfolios higher than the market and further securing the Bank's position as a core market maker in the interbank interest rate market.

The Bank continuously improved the structure of precious metal leasing business, actively supported gold-user entities, and further strengthened proprietary trading to promote the steady development of gold import business. During the reporting period, the Bank ranked sixth[20] in the whole market in terms of gold inquiry and market making volume, and obtained the qualifications for gold bidding market maker of Shanghai Gold Exchange and the qualifications for the offshore RMB gold forward price curve quotations on the international board as the first batch, thereby further expanding its scope of precious metals market making.

3.3.4.3 Asset Management Business

During the reporting period, in active response to changes in the policy environment, the Bank steadily promoted the transformation of its asset management business as per the requirements in the *New Regulations on Asset Management*. On the product side, the Bank accurately grasped the wealth management needs of target customers, developed competitive public and private wealth management products enjoying good market, and built the differentiated competitiveness of products. On the investment side, the Bank built the industry-leading investment research platform in line with the tenet of "leading investment, exploring value, warning risks", and continuously improved the return on the investment portfolio on the premise of making risks controllable, thereby creating greater value for investors.

As at the end of the reporting period, the Bank's existing scale of non-risk-bearing wealth management products recorded RMB1,103.292 billion, up by 19.24% from the end of the previous year, in which NAV products took up a proportion of 59.47%. The products showed an overall healthy and stable profile, and created an income (excluding structured deposits) of RMB42.726 billion for customers. Due to the impact of provisioning of allowances for risk assets, the Bank's wealth management business realized income of RMB1.145 billion for the reporting period.

3.3.5 Comprehensive Financial Services

The Bank gave full play to the unique advantages of CITIC Group in integrating finance with industry, and built its unique competitiveness by relying on the coordinated development strategy of CITIC Group. During the reporting period, the Bank's business coordination continued to strengthen systematically, the brand effect continued to improve, and the comprehensive contribution value of the coordination platforms became increasingly prominent.

In terms of CITIC group synergy, as at the end of the reporting period, the Bank successfully implemented 557 coordinated projects with CITIC Securities, China Securities, CITIC Trust, CITIC Capital and other financial subsidiaries of CITIC Group. The financing products covered bond underwriting, equity investment, trust plan and financial leasing, and cumulatively provided joint financing of RMB640 billion for corporate customers, exceeding RMB600 billion for third consecutive year, thereby strongly supporting the development of the real economy.

20 Based on data of Shanghai Gold Exchange.

In terms of regional coordination, under the guidance of the national development strategies, the Bank actively participated in the construction of key projects in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. During the reporting period, the Bank won the bid to become the sole custodian bank of Hebei Xiong'an Industrial Investment Guidance Fund as one of the firsts, and won the bid for the PPP[21] project of Nanjing "Chip City" technological innovation base. Besides, the Bank was successfully shortlisted in the first batch of cooperative banks of the Guangdong-Macao Cooperation Development Fund, participated in key infrastructure projects such as Hong Kong-Zhuhai-Macao Bridge and Huizhou-Daya Bay Expressway, and launched the first NRA[22] foreign currency financing business in Guangdong Province.

In terms of industrial and financial coordination, the Bank provided integrated solutions to meet customers' diverse needs, and leveraged the advantages of the "CITIC United Fleet" to explore a new cross-border coordination model. It assisted the CITIC environment consortium in winning the first comprehensive treatment project of Baiyangdian Wetland in Xiong'an New Area, actively participated in the construction of Pingtan as a pilot demonstration zone practicing "one country, two systems", and supported the construction of Hainan Free Trade Zone (Port) and the contracting of the strategic cooperation agreement of Asia-Pacific financial town in Sanya.

3.3.6 Distribution Channels

3.3.6.1 Physical outlets

As at the end of the reporting period, the Bank had 1,401 outlets in 151 large and medium-sized cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 124 tier-two branches, and 1,240 sub-branches (including 41 community/small and micro sub-branches), plus 1,750 self-service banks (including onsite and offsite self-service banks), 6,243 self-service terminals and 9,060 smart teller machines. As such, the Bank had developed a diversified outlet pattern that consists of smart (flagship) outlets, comprehensive outlets, boutique outlets, community/small and micro outlets and off-bank self-service outlets.

With its outlets basically covering all large and medium-sized cities in China, the Bank shifted its focus of domestic outlet establishment to layout optimization and profit improvement. Allocation of resources for outlet construction favored developed cities and regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing. At the same time, as an active response to the national "13th Five-Year Plan", the Bank supported the economic development of key areas such as the free trade zones, special economic zones and new areas.

In terms of the layout of overseas outlets, CNCBI, an affiliate of the Bank, had 38 outlets in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB (Hong Kong) Investment Co., Ltd. had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. In line with its *2017-2020 Plan for Overseas Development*, the Bank made active efforts to promote its internationalization. In particular, it constructed and improved the management frameworks for human resources, businesses, systems, authorization, and performance evaluation of overseas affiliates. During the reporting period, it established and opened the London Branch, and pushed forward the approval of upgrading Sydney representative office and the preparations for establishment of its Hong Kong branch in an orderly manner.

3.3.6.2 Online Channels

During the reporting period, proceeding along the customer footprint, the Bank launched the unified digital channel planning, and promoted data coordination and service process optimization among channels. The Bank realized interconnection between its Mobile Banking APP and six offline channels, including ATM, counter and queuing machine, and provided customers with 12 services such as cardless deposit and withdrawal, outlet queuing and pre-filling, so as to provide customers with service experience that is consistent among all channels.

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21 PPP refers to Public Private Partnership.

22 The State Administration of Foreign Exchange issued the *Notice of the State Administration of Foreign Exchange on the Management of Domestic Foreign Exchange Accounts of Overseas Institutions* on 13 July 2009, allowing domestic banks to open domestic foreign exchange accounts, or non-resident accounts (NRA), for overseas institutions.

The size and quality of Mobile Banking APP customers maintained rapid growth. As at the end of the reporting period, the number of Mobile Banking APP customers reached 45.8287 million, an increase of 9.1290 million or 24.88% over the end of the previous year. The number of monthly active users[23] (MAUs) of Mobile Banking APP reached 11.1547 million, an increase of 41.42% over the end of the previous year. Meanwhile, the transaction volume of Mobile Banking APP increased rapidly, with the number of transactions reaching 236 million, an increase of 26.75% over the previous year, and the transaction amount standing at RMB8.72 trillion, an increase of 38.66% over the previous year. The number of personal online banking customers reached 47.0438 million, an increase of 8.9949 million or 23.64% over the end of the previous year.

3.3.6.3 Overseas Branch Business

London Branch of the Bank officially commenced operation on 21 June 2019, local time in London, with the approval of the Prudential Regulation Authority and the Financial Conduct Authority of UK. As the first overseas branch directly controlled by the Bank, London Branch is mainly engaged in wholesale banking, provides customers with financial services such as deposits, loans (including bilateral loans, syndicated loans, trade finance and cross-border M&A financing), foreign exchange and payment settlement, and conducts money market and foreign exchange trading businesses.

During the reporting period, London Branch conducted extensive business cooperation with domestic and overseas corporate customers and financial institutions. It made breakthroughs in offshore RMB trading, corporate syndicated loans, cross-border M&A financing and other business areas, and completed the establishment of the European time trading platform on behalf of the Head Office, laying a solid foundation for the Bank to build a global 24-hour foreign exchange trading platform. Relying on the advantages of London as an international financial center, the Bank will build London Branch into the business center of the Bank in Europe, the Middle East and Africa, the European treasury operation center, the international talent training center, and CITIC Group's overseas business coordination platform.

3.3.7 Subsidiaries and Joint Ventures

3.3.7.1 CIFH

CIFH was incorporated in Hong Kong in 1924. It was acquired by CITIC Group in June 1986 and restructured to become an investment holdings company after its acquisition of the then Hong Kong Chinese Bank Limited in 2002. It is now a wholly-owned subsidiary of the Bank, with an issued share capital of HKD7.503 billion. CIFH is the main platform for the Bank to conduct its overseas businesses. Its business scope includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via its holding subsidiary CNCBI (in which CIFH holds a 75% equity interest), and conducts its non-banking financial business primarily via CIAM (in which CIFH holds a 46% equity interest).

As at the end of the reporting period, CIFH recorded HKD362.684 billion in total assets, down by 0.84% from the end of last year, and HKD51.528 billion in net assets, up by 0.95% from the end of the previous year, and a total of 2,286 employees. For the reporting period, CIFH realized net profit of HKD2.828 billion, up by 7.22% year on year.

CNCBI: As at the end of the reporting period, CNCBI recorded total assets of HKD361.222 billion, down by 0.47% from the end of the previous year, and net assets of HKD46.450 billion, up by 1.02% from the end of the previous year. For the reporting period, CNCBI realized operating income of HKD8.351 billion, down by 0.70% year on year. For the reporting period, CNCBI realized net profit of HKD2.810 billion, down by 6.58% year on year.

23 Monthly active users (MAUs) of mobile banking refer to users logging in to the Mobile Banking APP, and the growth rate is calculated based on comparison of data under the same standard.

Relying on its geographical advantages in the Guangdong-Hong Kong-Macao Greater Bay Area, CNCBI continuously deepened coordination and cooperation with the Bank and CITIC Group, and made full use of its domestic subsidiaries as platforms to vigorously expand cross-border business. During the reporting period, it realized over RMB100 billion cross-border Renminbi trade settlement in total. With the strong need of mainland Chinese enterprises for overseas financing and cross-border mergers & acquisitions, the debt capital market business team of CNCBI captured opportunities and realized HKD296 million in fee income, and ranking 5th among all Chinese institutions in Hong Kong in terms of the underwritten amount[24]. In addition, the cross-border personal and commercial banking business maintained a sound development momentum. During the reporting period, the number of cross-border customers recommended by the parent bank CITIC Bank increased by 12.13% over the end of the previous year. As at the end of the reporting period, AUM of CNCBI increased by 30.93% over the end of the previous year.

CIAM: CIAM is a cross-border asset management company. In the face of market challenges during the reporting period, CIAM continued to leverage the comprehensive advantages of CITIC Group and its own structural value, took "shareholder extension" as the core concept of its business development, and actively expanded the private equity investment fund management business while promoting the adjustment of the investment portfolio. During the reporting period, CIAM focused on strengthening the post-investment value-added service management of investment in enterprises, and explored diverse exit methods and channels to recover investment and realize investment return as soon as possible. At the same time, CIAM strived to expand its differentiated private equity fund management business, successfully issued the Guangxi State-owned Enterprise Reform and Development Fund in cooperation with local state-owned enterprises in Guangxi, with a total subscription of RMB1.4 billion as at the end of the reporting period, and the investment had started. While actively expanding its business, CIAM continued to strengthen the control of operating cost by continually taking such measures as organization adjustment and expense control during the reporting period, resulting in an obvious decrease in operating expenses.

3.3.7.2 CNCB Investment

CNCB Investment is an overseas controlled subsidiary of the Bank established in Hong Kong in 1984 with a registered capital of HKD1.889 billion. The Bank holds 99.05% of the equity interest in CNCB Investment and CNCBI holds the rest 0.95%. The business scope of CNCB Investment covers lending (it holds a Hong Kong money lender license), investment (mainly including debt securities investment, fund investment, stock investment and long-term equity investment, etc.), and the conduct of overseas licensed investment banking business and domestic equity investment fund management business via its own subsidiaries.

As the overseas investment banking platform of the Bank, CNCB Investment always aspires to develop itself into "the best overseas boutique investment bank", and focuses on licensed investment banking businesses such as overseas securities underwriting, securities consulting, corporate financing advisory services and asset management, cross-border investment and financing businesses, and domestic private equity investment fund management business. During the reporting period, centering on capital-light operation, CNCB Investment accelerated the transformation of profit model, and moved faster to develop licensed investment banking businesses. Specifically, the number of bond underwriting projects increased significantly, with market share reaching a new high, and the scale of active asset management business also steadily increased. In terms of proprietary investment and financing business, the Bank made remarkable achievements in the disposal of existing assets with risk, strengthened post-lending risk management, and accelerated the visionary investment of high-quality assets in key areas. In terms of internal management, it reviewed its internal control and compliance system comprehensively, improved the policy formulation according to business development, and continuously optimized the business process, thereby comprehensively improving its internal management.

During the reporting period, due to the impact of the declining capital market, CNCB Investment recorded net profit attributable to its equity holders equivalent to RMB108 million, a drop of 79.6% from last year; and its net income from licensed investment banking businesses was equivalent to RMB80.85 million, down by 35.83% over last year, while newly underwritten bonds increased by 60%. As at the end of the reporting period, CNCB Investment had total assets equivalent to RMB19.403 billion, net assets equivalent to RMB3.531 billion, and AUM equivalent to RMB86.634 billion.

24 According to the Bloomberg ranking of China offshore bond underwriting.

3.3.7.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing was incorporated in April 2015 with a registered capital of RMB4 billion. During the reporting period, following the general tone of seeking progress while ensuring stability, the guidance of the new development philosophy, and the direction of high-quality development, CITIC Financial Leasing focused on supply-side structural reform, and continuously enhanced its risk prevention capability.

During the reporting period, CITIC Financial Leasing actively implemented national industrial policies, took serving the real economy as its mission and supporting the development of the private economy as its important objective. During the year, CITIC Financial Leasing realized a total lease grant of RMB10.909 billion, making the total investment exceeding RMB100 billion since its opening. It continued to increase direct leasing, with its proportion up by 23.57% year on year. Returning to the original mandate, CITIC Financial Leasing gave full play to its advantages of leasing business in supporting the real economy, and had 70% of its projects invested in the private economy during the reporting period. Besides, based on its strategic positioning, it gave preference to key fields supported by the state in business development. As at the end of the reporting period, CITIC Financial Leasing's asset balances in the five areas of clean energy, energy conservation and environmental protection, high-end equipment, people's livelihood and modern transportation accounted for 56.89%, 7.82%, 14.17%, 15.24% and 5.88% of the total respectively. The green leasing stood at RMB7.733 billion, accounting for more than 70% of the total, further showcasing its advantages in green leasing.

As at the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB50.236 billion and net assets of RMB6.044 billion. During the reporting period, CITIC Financial Leasing realized cumulative lease grant of RMB10.909 billion, net operating income of RMB1.729 billion and net profit of RMB768 million, an increase of 48.26% over the previous year. The company's return on equity was 13.57%, while return on assets was 1.53%. And it recorded a provision-to-loan ratio of 4.64%, and a capital adequacy ratio of 12.39%.

3.3.7.4 CITIC aiBank

CITIC aiBank officially opened for business on 18 November 2017. With a registered capital of RMB4 billion, it is a new type of internet bank jointly established by the Bank and Baidu, with the Bank and Fujian Baidu Borui Internet Technology Co., Ltd. holding 70% and 30%[25] of its equity interest, respectively.

During the reporting period, CITIC aiBank made phased achievements in strategy implementation, and preliminarily formed the differentiated development model of an open bank. It built an asset connection platform and a wealth sales platform, making preliminary progress in platform development. It also actively integrated into the Baidu ecosystem, and achieved new results in shareholder integration by promoting the coordinated development of the parent bank and the subsidiary. Besides, CITIC aiBank launched the agile development system, and continued to build the technology moat. It also strictly adhered to the bottom line of compliant and prudent operation and steadily improved its risk management capacity. As a result, it has formed a prudent, steady, innovative and energetic corporate culture.

2019 marked the second complete operation year of CITIC aiBank. After more than two years of efforts, CITIC aiBank has laid a solid foundation for development. As at the end of the reporting period, CITIC aiBank recorded total assets of RMB58.865 billion, up by 63.86% over the end of last year; total liabilities of RMB55.620 billion, up by 70.09% over the end of last year; and net assets of RMB3.245 billion. During the reporting period, it realized net operating income of RMB2.373 billion and net profit of RMB20 million, recording profit for the first time. It met all regulatory indicators and obtained AAA for long-term entity credit rating by China Lianhe Credit Rating Co., Ltd.

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25 During the reporting period, the meetings of the Board of Directors of the Bank considered and adopted the Proposal on Increasing Share Capital of CITIC aiBank Corporation Limited and the Proposal on Adjusting the Plan for Increasing Share Capital of CITIC aiBank Corporation Limited, giving consent that the Bank would increase share capital of CITIC aiBank. For details, please refer to Chapter 3.6 "Material Investments, Material Acquisitions and Disposal and Restructuring of Assets" of this report.

3.3.7.5 Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank is located in Lin'an District, Hangzhou City, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

During the reporting period, Lin'an CITIC Rural Bank supported the real economy with enthusiasm, and implemented the inclusive finance and the rural revitalization strategy, and increased credit extension meeting CBIRC's "two no-less-than and two control" target. It strengthened communication and collaboration with the district government and local towns, and highlighted the focuses of rural credit support to meet the financing needs of farmers, small and micro enterprises and individual industrial and commercial households. As at the end of the reporting period, the balance of loans to small and micro enterprises was RMB989 million, an increase of 16.35% over the end of the previous year, 2.31 percentage points higher than the average growth of total loans. The balance of inclusive MSE loans was RMB856 million, an increase of 22.81% over the end of the previous year, 8.77 percentage points higher than the average growth of total loans. The proportion of loans to farmers and small and micro enterprises reached 91.11%.

As at the end of the reporting period, Lin'an CITIC Rural Bank recorded RMB1.855 billion total assets, RMB318 million net assets, RMB1.444 billion balance of customer deposits, and RMB1.279 billion combined balance of various loans. Its capital adequacy ratio stood at 25.86%, allowance coverage ratio was 576.09%, and the ratio of allowance for impairment of loans to total loans recorded 4.6%. It realized a net profit of RMB42 million after tax for the reporting period.

3.3.7.6 JSC Altyn Bank

JSC Altyn Bank was formerly an affiliate of HSBC established in Kazakhstan in 1998. In November 2014, it was wholly acquired by the JSC Halyk Bank of Kazakhstan, the largest commercial bank in the country. On 24 April 2018, the Bank completed the acquisition of a majority stake in JSC Altyn Bank and became the first Chinese bank to acquire bank equity in the countries along the Belt and Road. The Bank held 50.1% of the equity in JSC Altyn Bank. JSC Altyn Bank's Fitch rating was BBB-, the highest rating among all commercial banks in Kazakhstan.

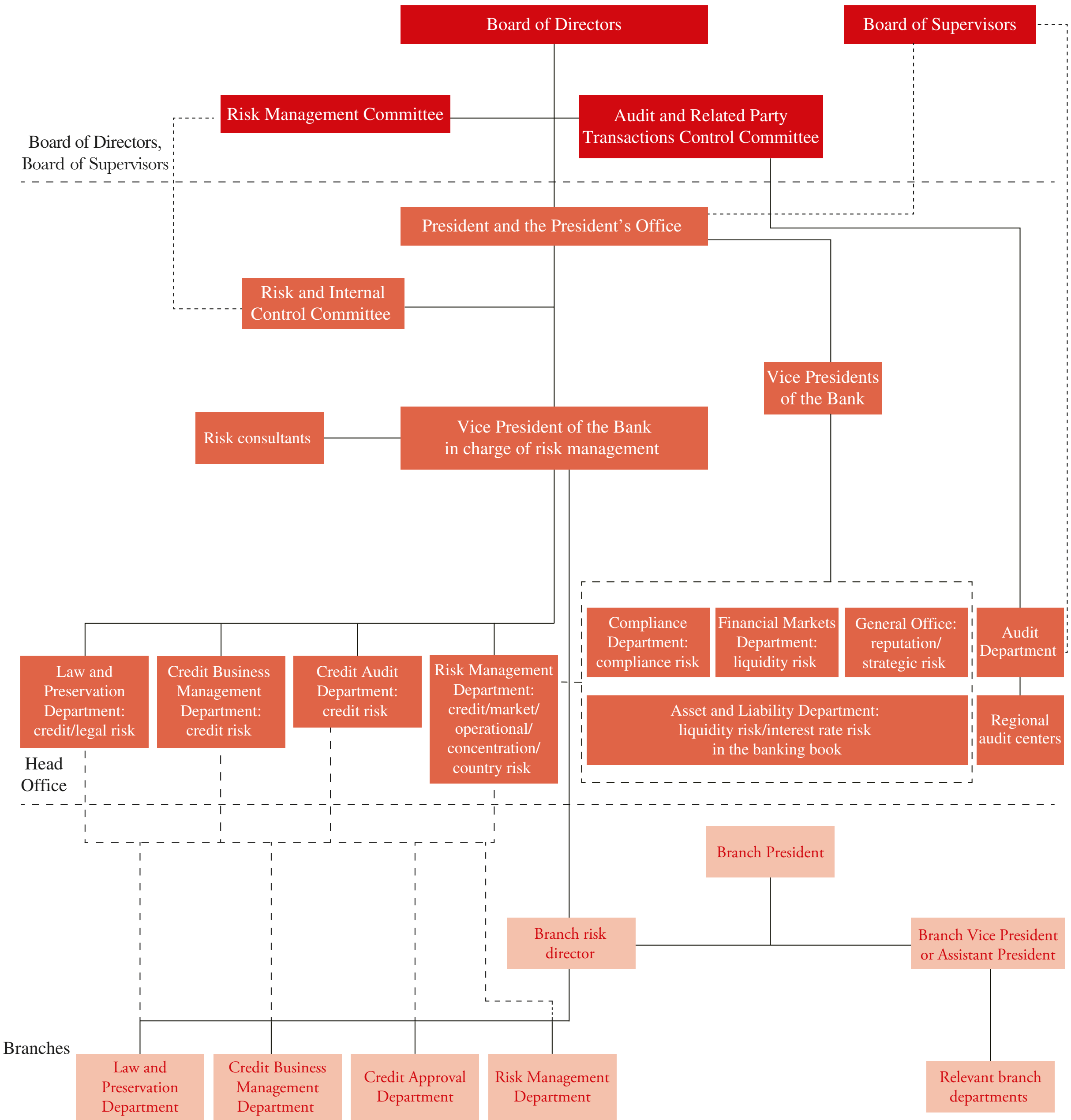
During the reporting period, adhering to the philosophy of "growing into a stable, unique and considerate bank", JSC Altyn Bank realized coordinated development of efficiency, quality and scale, made new breakthroughs in business expansion, and secured a consolidated management foundation, more integrated corporate culture and higher brand reputation. The Bank continuously strengthened business coordination with JSC Altyn Bank at home and abroad. In May 2019, the Bank, together with the JSC Halyk Bank of Kazakhstan and JSC Altyn Bank, held the Sino-Kazakhstan High-tech Enterprise Forum in Nur Sudan, the capital of Kazakhstan, which served as a face-to-face exchange platform for Chinese and Kazakhstan enterprises and made positive contributions to deepening bilateral economic and trade cooperation.

As at the end of the reporting period, JSC Altyn Bank recorded share capital of 7.050 billion tenge[26], total assets of 523.267 billion tenge, net assets of 56.757 billion tenge. During the reporting period, it realized net operating income of 26.153 billion tenge, net profit of 14.356 billion tenge, and its ROA and ROE stood at 3.16% and 29.20%, respectively.

26 The rate on 31 December 2019 of tenge against Renminbi was 1:0.01819351.

3.4 Risk Management

3.4.1 Risk Management Structure



3.4.2 Risk Management System and Techniques

The reporting period witnessed increasing downward pressure on the domestic economy. In response, the Bank stepped up multiple measures and proactively strengthened risk management, including efforts such as improving the overall risk management system and refining policies and regulations for risk management, implementing differentiated development strategies and optimizing allocation of credit resources. Meanwhile, the Bank promoted the implementation of unified credit management and control policy in an orderly manner, and strengthened the risk control over the credit business of consolidated subsidiaries. The Bank established principal responsible person mechanism for operation, principal responsible person mechanism for management and full-time approver mechanism, and amended identification measures for non-performing assets. What's more, the Bank continuously consolidated asset quality, investigated and identified problem assets, and accelerated the resolution of existing non-performing assets through various measures. Focusing on key branches and key projects, the Bank strengthened the elimination of non-performing assets and facilitated management of problem assets. As part of efforts to consolidate the foundation of risk management, the Bank accelerated IT systems upgrades and stepped up efforts in building risk management teams.

The Bank continued to improve its R & D capability in risk management technology. It deepened the application of risk quantification results, and completed model development for bond rating, overseas branch rating, financial institution rating and counterparty credit risk capital measurement during the reporting period. The independent optimization and verification of the rating models were continuously conducted to effectively control model risks; the credit risk rating model was effectively embedded in the entire process of credit business to enhance the quality of risk decision making. What's more, the Bank carried out asset impairment management and economic capital assessment through adopting internal rating approach, promoted the application of value at risk (VaR) in the consolidation management of market risk limit, thereby effectively improved the level of risk management across the bank. The Bank also attached great importance to the application of the three operational risk instruments to continuously enhance its operational risk management capability. Besides, the Bank actively explored the application of financial technology, promoted the digital transformation of risk management, and carried out intelligent risk control projects.

3.4.3 Credit Risk Management

Credit risk refers to the risk of a bank incurring losses in its business due to the failure of its borrowers or transaction counter-parties to fulfill the obligations specified in relevant agreements or contracts. The Bank's credit risk mainly comes from various credit businesses, including but not limited to loans, guarantee, acceptance, loan commitments and other on- and off-balance sheet credit businesses, bond investment of banking account, derivatives trading and other businesses, as well as businesses with credit risk such as structured financing and financing wealth management. For details of the Bank's risk exposures after the mitigation of credit risk asset portfolio and measurement of credit risk capital, please refer to the *2019 Capital Adequacy Ratio Information Disclosure Report of China CITIC Bank Corporation Limited* issued by the Bank.

3.4.3.1 Credit Risk Management in Corporate Business

Following the principle of "properly managing balance and strictly controlling new growth", the corporate business of the Bank explored and expanded its customers and markets by region, customer, industry, product and channel, and continuously improved the business structure to enhance the quality and performance of its corporate credit business on all fronts.

In terms of customers, the Bank focused more on customers involved in major industries and large scale projects, big customers and high-end customers, actively supporting strategic customers and cultivating leading corporate customers in concerned industries, and tapped growth potential of private listed corporate customers. Focusing on strategic customers, the Bank endeavored to promote the chain marketing and batch customer development among upstream and downstream customer clusters of core enterprises. Besides, the Bank implemented a differentiated customer policy to meet the financing needs of customers with ready market, promising prospect, advanced technology and high competitiveness but temporary difficulties. At the same time, it strengthened unified credit management and limit management and control over customers, and focused on preventing large-amount credit risk and concentration risk.

In terms of regions, the Bank implemented national strategies for regional development, and focused on supporting the key areas designated by national strategies such as the Beijing-Tianjin-Hebei region, the Xiong'an New Area, the Belt and Road, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area and the Free Trade Zones. It implemented differentiated strategies for different regions and improved the regional layout of its credit business. Meanwhile, the Bank preferentially channeled resources toward the branches located in the key strategic areas of the state with a view to improving their credit proportion and profit contribution. It also improved the risk management, disposed of existing credit risk, and enhanced the ability of sustainable development in branches with deficient asset quality and with weak profitability.

In terms of industries, the Bank adopted differentiated policies of entering some promising industries while exiting from the others, supporting certain key industries while controlling credit to others. It diverted more credit supply to promising industries that were aligned with the orientation of national strategies as well as the "three mega, three high, three new" fields[27]. What's more, the Bank paid close attention to business opportunities in areas such as government financing, strengthening weak infrastructure, high-quality development of manufacturing, industrial structure adjustment and upgrading, and pollution prevention and control to support the high-quality development of the real economy. It also moderately controlled the total credit granted to real estate and reduced the credit amount to large real estate customers.

In terms of products, in accordance with the principle of light development and relying on the support of fin-tech, the Bank set up an ecosystem-based financial service platform and expanded its transaction banking business. Centering on core customers, the Bank endeavored to promote the chain marketing and batch business development targeting upstream and downstream customer clusters of core enterprises. In the meantime, it took an active part in the listing of private companies, the ownership reform of state-owned enterprises and the "going global" efforts of Chinese enterprises, providing customers with innovative products and services in investment banking and asset management, and thus forming a reasonable financing structure.

In terms of large exposures management, by strictly implementing on various regulatory provisions and further refining the policy system, the Bank reinforced the system development and underlying data governance, and improved the capacity of information systems to support the management of large exposures. The Bank regarded the management of large exposures limit as an important means to control the customer credit concentration risk and prevent excessive credit granting, and actively implemented various requirements for the management of large exposures. The Bank established and improved the management system of large exposures continuously at the Group level, and promoted the system connection and data sharing between the Bank and subsidiaries, thus providing favorable conditions for the unified credit management at the Group level. During the reporting period, the Bank managed to control the limit indicators of large exposures within the scopes permitted by the regulators.

3.4.3.2 Credit Risk Management of Personal Loans

During the reporting period, while adopting the "total-process and thorough risk management" within the product lineup of standardized personal loans, the Bank identified and controlled credit risks before, in and after lending all along.

In the pre-lending process: the Bank built the a tiered management system by channel, selected qualified "Head Office to Headquarters" cooperation channels based on credit grading, and introduced the tiered management mechanism of product credit risk and the review mechanism of product credit risk in the product design stage. In the lending process, the Bank used scorecards and other retail credit risk measurement models in combination with logicalized business rules to effectively identify and manage credit risk. Besides, the Bank introduced third-party external data, and upgraded application rules according to the practical business. It improved personal credit portraits and structured anti-fraud models of products step by step to further enhance its ability for credit risk control. The Bank also built a whole-process closed-loop management and operation system, and formulated standardized and unified operational standards for business access, acceptance, review and approval. In the post-lending process, the Bank kept improving its risk early warning system and carried out risk management for products, regions and cooperation channels. What's more, it expedited the iteration and updating of policies and processes for products according to the results of risk early warning, and formulated differentiated access rules.

27 The "three mega, three high, three new" fields refer to fields related to "mega culture, mega health and mega environmental protection", "high tech, high-end manufacturing, and high-quality service and consumption industries", and "new materials, new energy and new business models".

At the end of the reporting period, the Bank's balance of non-performing personal loans (excluding credit card) recorded RMB6.203 billion, a drop of RMB471 million from the end of the previous year. The NPL ratio was 0.53%, down by 0.13 percentage point from the end of the previous year. The asset quality maintained at a sound level.

3.4.3.3 Risk Management of Credit Card Business

During the reporting period, the Bank conducted credit card business following the framework of "adjusting structure, controlling risks, strengthening technology, improving efficiency and high-quality development". It strengthened comprehensive risk management, strictly stuck to the bottom line of risks, focused on the upgrading and adjustment of the asset structure, and continued to strengthen its joint risk control system before, in and after lending.

In the pre-lending process, the Bank reinforced the customer groups restructuring, comprehensively built a new customer risk limit system, and established the goal-based benchmark for customer group limit structure through subdividing customer group characteristics by natural attribute, credit attribute, asset attribute and so on. It strictly reviewed customers' credit standing, employed credit record and other data to prudentially scan and select high-quality customers, and kept adjusting related models and strategies so as to put a tight lid on the approval rate of multiple borrowing applicants. In the lending process, the Bank refined the credit granting rules, adopted the differentiated credit granting approach, dynamically made credit adjustments in response to customers' card use and repayment, and carried out specialized detecting and campaigns against high-risk customers like suspected multiple borrowing customers and non-compliant credit card usages like cash-out. In the post-lending process, the Bank leveraged new technologies and data innovation application such as intelligent phone calls and relationship spectrum to improve the efficiency and effectiveness of loan recovery. At the end of the reporting period, the Bank recorded RMB8.948 billion balance of non-performing credit card loans, corresponding to an NPL ratio of 1.74%, down by 0.11 percentage point from the end of the previous year, thus maintaining a stable risk level.

3.4.3.4 Risk Management in Asset Management Business

During the reporting period, the Asset Management Business Center of the Bank established the Credit Risk Early Warning Committee and the Non-performing Assets Disposal Committee to defuse and dispose of assets with existing credit risk by means of top-level design. Among other things, the Bank kept increasing investment in standardized assets by seizing investment opportunities in high-quality bonds, expanding the scale of investment in high-quality bonds, and optimizing the structure of asset allocation. It also kept improving its credit qualification rating scorecard, set asset-category-specific and industry-specific review standards, studied and formulated the five-tier classification standards for asset quality as well as the risk forewarning standards, and further optimized the credit risk review methodology. Besides, the Bank set up a professional recovery team responsible for the recovery and disposal of the existing non-performing assets of the wealth management business. The team formulated risk disposal measures for specific customers based on respective characteristics, and further increased the efforts to dispose of existing risk assets through preservation, trading and other means. During the reporting period, the Bank had no default or inadequate repayment of any matured wealth management product.

3.4.3.5 Credit Risk Management in Financial Markets Business

During the reporting period, the Bank put credit risk in bond assets under active management. According to the characteristics of risks in defaulted bonds in the market, the Bank summarized the driving factors and evolution patterns of credit risk, upgraded review standards and models of credit risk in bond business, improved the process of credit risk management, and increased the frequency of credit risk monitoring. The Bank sorted out its investment portfolio on a regular basis, and strengthened the monitoring on the early warning information of issuers of bonds, and conducted in-depth screening of credit risk. The Bank increased investment in sovereign and quasi-sovereign bonds such as government bonds, local government bonds and policy bank bonds, greatly expanded the scale of premium liquid assets, and thus its proprietary bond assets enjoyed excellent credit qualifications.

3.4.3.6 Loan Monitoring and Post-Lending Management

During the reporting period, the Bank actively adapted itself to changes in the market and policy environment, reinforced risk forewarning and management of loans close to their maturity, and screened and monitored risks in key areas. It also strengthened asset quality management and control, collateral management and credit consumption management and promoted the upgrade of the new-generation credit business system to ensure the stable asset quality.

The Bank actively carried out tests and surveys on the early warning mechanism, developed the forewarning model program for post-lending management of inclusive finance loans, established the early warning information sharing mechanism among subsidiaries, and optimized the notice function of the system to remind of the loan principal and interest maturity. The Bank launched risk screening for various businesses. Key credit asset portfolios were brought under risk monitoring, and key branches, products, industries, asset portfolios, and key large customers were put under the name list-based monitoring. The Bank implemented the "name list system" classification management for accounts with non-performing loans, and supervised the disposal of related risks. It also optimized the performance assessment indicators focusing on overdue loans, NPLs and the ratio of loans overdue over 60 days to NPLs. Besides, the Bank created the positive, negative and prudential lists of collateral access to further strengthen the management of assessment agencies. It also set up the blacklist mechanism and accountability mechanism for assessment agencies to promote the post-lending re-assessment, verification and monitoring of collateral and improve the collateral system. Meanwhile, the Bank continued to deepen the mechanism of full-time approvers of credit consumption. It upgraded the project requirements of the "e-Credit"[28], and enabled the fingerprint authentication function as part of the credit granting link. At the same time, the Bank launched the credit business archive management project (phase I) and the seal monitoring and management system of corporate credit business at pilot branches. The Bank completed the upgrade of the new-generation credit business system (phase II) in March 2019 improving more than 100 major functions. During the reporting period, the Bank launched ongoing training of the new-generation credit business system and continued to push forward the phase III building of the system.

3.4.4 Market Risk Management

Market risk refers to the risk of on-and off-balance sheet businesses of a bank incurring losses due to unfavorable changes in market prices (including interest rate, exchange rate, stock price and commodity price). The main market risk confronting the Bank includes interest rate risk and exchange rate risk. The Bank has established a market risk management policy system covering market risk identification, measurement, monitoring and control. It manages market risk through product access approval and risk limit management, and thus controls market risk within the acceptable and reasonable range and maximizes risk-adjusted returns.

During the reporting period, the Bank actively conducted research and responded to market volatility, and made its market analysis more forward-looking. It further established a market risk limit system covering the three tiers of the Group, the Bank and departmental business, dynamically adjusted market risk limits, and continued to do risk monitoring and reminding. What's more, the Bank revised policies on market risk limit management, measurement, reporting etc., thereby continuously improved the refined management of market risk, and strongly supported the development of relevant financial markets businesses based on risk control. For details of market risk capital measurement, please refer to the *2019 Report on Capital Adequacy Ratio Information Disclosure of China CITIC Bank Corporation Limited* released by the Bank. For details of interest rate gaps, foreign exchange exposures and sensitivity analysis, please refer to Note 55(b) to the financial report of this report.

28 A direct consumer connection-based online credit granting project of the Bank.

3.4.4.1 Interest Rate Risk Management

Interest rate risk in the trading book

The Bank established a complete market risk limit system for the interest rate risk in the trading account to set limits such as value at risk, interest rate sensitivity and stop-loss. It also assessed the interest rate risk in the trading book using stress testing and other tools to control the interest rate risk in the trading book within the tolerable level of risk appetite. During the reporting period, the downward pressure on the domestic economy intensified, the market liquidity remained reasonable, the government bond yield fluctuated and the credit spread narrowed. The US Treasury bond yield fluctuated sharply downward due to the slowdown of the growth rate of the US economic data and the expectations of interest rate cut by the US Federal Reserve. In the face of the increasing volatility of domestic and overseas financial markets, the Bank strengthened market research, effectively carried out risk monitoring and early warning, continuously improved its market risk limit system, and prudently controlled the interest rate risk exposure of the trading book.

Interest rate risk in the banking book

During the reporting period, global economic development was very uneven featuring slowdown in economic growth, and monetary policies of major economies turning loose. External uncertainties increased, while the change trend of domestic and foreign market interest rates remained uncertain. Against such a backdrop, the Bank responded actively to domestic and overseas market and situational changes. After improving the risk management framework, optimizing the risk monitoring indicators and upgrading the risk management system in the previous period, the Bank applied gap analysis, sensitivity analysis, stress testing and other methods to monitor the risk exposure level and changes from multiple dimensions such as re-pricing gap, re-pricing cycle, net interest income fluctuation (ΔNII) and economic value of Entity fluctuation (ΔEVE). It placed focus on the impact of benchmark risk on the Bank in the current market situation, and tried to analyze the changes in indicators when the size and structure of assets and liabilities changed using a multi-scenario dynamic simulation process. At the same time, the Bank continued analyze and estimate net interest income on a regular basis, and actively applied management means such as price control and regulation to build the capacity for market-oriented, self-discretionary and differentiated pricing and reasonably set up portfolios and maturity structures for asset and liability products. Besides, taking the implementation of the LPR reform as an opportunity, the Bank mitigated risk factors such as large-scale concentrated re-pricing of assets on specific dates step by step through contract revision, internal and external publicity and other measures, and took multiple measures to control the interest rate risk in the banking book within the Bank's risk tolerance.

During the reporting period, the Guidelines for Managing Interest Rate Risk in the Banking Book of Commercial Banks (Amended) came into force. On the basis of the new regulatory framework, the Bank built various customer behavior models, and updated its internal management policies, risk measurement, risk indicator and limit system. At the end of the reporting period, the Bank had complied with relevant regulatory requirements in terms of policy structure, system function, measurement framework, model management, risk reporting, risk limit and risk indicator level. Subsequently, based on the previously developed dynamic risk measurement system, the Bank will strengthen the precise risk measurement and management of key products and further raise the management level of interest rate risk in the banking book of the Bank.

3.4.4.2 Exchange Rate Risk Management

Exchange rate risk refers to the risk of on- and off-balance sheet businesses of a bank incurring losses due to unfavorable changes in exchange rates (including gold price). The Bank mainly measures the magnitude of exchange rate risk through foreign exchange exposure analysis. Its foreign exchange exposure mainly comes from the foreign exchange position formed through foreign exchange transactions (including gold) and from foreign currency capital and foreign currency profits. The Bank manages exchange rate risk by reasonably matching Renminbi and foreign currency denominated assets with liabilities denominated in the same currencies and by making appropriate use of derivative financial instruments. For businesses with potential exchange rate risk such as forex purchase and sale and forex trading, the Bank sets corresponding foreign exchange exposure limits to control its exchange rate risk at an acceptable level.

The exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. In 2019, the exchange rate of the RMB against the US dollar showed wider two-way fluctuations, and the central parity exchange rate of the Renminbi against the US dollar fell by a cumulative 1.6% for the year. Thanks to its proactive responses to forex market fluctuations, strict control of the forex risk exposures of relevant businesses and more intensive routine risk monitoring, early warning and reporting, the Bank was able to control its exchange rate risk within the acceptable range during the reporting period.

3.4.5 Liquidity Risk Management

Liquidity risk refers to the risk that a bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations or meet other capital needs for normal business. The Bank has set up a robust governance structure for liquidity risk management, which clearly lays out the division of duties among the Board of Directors, the Board of Supervisors and the senior management and their subordinate specialized committees and the relevant departments of the Bank, and explicitly defines the strategies, policies and procedures on liquidity risk management. The Bank maintains a prudent liquidity risk level, implements a prudent coordinated liquidity risk management strategy, and effectively identifies, measures, monitors and controls liquidity risk by gap management, stress testing, emergency drills and qualified premium liquid assets management. The Group has put in place a unified liquidity risk management framework. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and its legal-person institutions, and for managing liquidity risk at the legal-person institution level in a centralized manner. All domestic and overseas affiliates of the Group are responsible for developing and implementing their own strategies and procedures for liquidity risk management pursuant to the requirements of competent regulators and within the Group's master policy framework on liquidity risk management.

During the reporting period, the central bank pursued the prudent monetary policy and intensified countercyclical adjustment. Therefore, the market liquidity maintained at a reasonably ample level with some periodical fluctuations. The Bank continued to reinforce liquidity risk management, enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, conducted stress tests on a regular basis, and organized emergency drills. It also coordinated management of assets and liabilities to ensure a basic match between funding sources and fund uses. Moreover, the Bank reinforced management of active liabilities to ensure smooth financing channels, including borrowings from the central bank, money market, interbank certificates of deposit and interbank deposits. The Bank also improved routine liquidity management, reinforced market analysis and anticipation and thereby managed liquidity in a more forward-looking and proactive manner.

During the reporting period, the Bank reasonably set stress scenarios and conducted liquidity risk stress tests on a quarterly basis, taking into account major factors and external environmental factors that may trigger liquidity risk. Under the mild, medium and severe scenarios, the Bank's minimum survival period exceeds the 30-day limit specified by the regulator.

The Group's liquidity coverage ratio and net stable funding ratio as at the end of the reporting period are set out below.

Unit: RMB million

Item	31 December 2019	31 December 2018	Increase/ Decrease	31 December 2017
Liquidity coverage ratio	**149.27%**	114.33%	Up 34.94 percentage points	97.98%
Qualified premium liquid assets	**744,317**	553,870	34.38%	507,004
Net cash outflow in the coming 30 days	**498,654**	484,454	2.93%	517,472

Note: The Group disclosed relevant information on its liquidity coverage ratio in accordance with the Rules on Disclosure of Liquidity Coverage Ratio of Commercial Banks (CBRC Decree [2015] No.52).

The Group's net stable funding ratio as at the end of the reporting period is set out as below:

Unit: RMB million

Item	31 December 2019	30 September 2019	30 June 2019	31 December 2018	Increase/Decrease over Prior Year-end
Net stable funding ratio	**105.85%**	101.53%	104.66%	104.26%	Up 1.59 percentage points
Available stable funding	**3,887,038**	3,495,928	3,748,292	3,419,051	13.69%
Required stable funding	**3,672,303**	3,443,342	3,581,308	3,279,280	11.99%

Note: The Group disclosed relevant information on its net stable funding ratio in accordance with the Rules on Disclosure of Net Stable Funding Ratio of Commercial Banks (CBIRC Decree [2019] No.11).

For relevant information about the Group's liquidity gaps as at the end of the reporting period, please refer to Note 55(c) to the financial statements contained in this report.

3.4.6 Operational Risk Management

Operational risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and information technology systems and external incidents. It includes legal risk but excludes strategic risk and reputational risk. During the reporting period, the Bank continued to strengthen its operational risk control and intensified the routine management of operational risk. It reviewed the process of key business according to standards to identify and improve weak links, and kept improving the layered key risk indicator system to enhance its capability for in-process monitoring of operational risk. At the same time, the Bank reinforced the mechanism for grading and reporting risk incidents, and stepped up efforts in the analysis and training of typical cases. In particular, the Bank strengthened routine review, management and comprehensive assessment of outsourcing issues, and organized onsite inspections on outsourcing management of key branches, thereby continuously improving the outsourcing IT management level, effectively standardizing outsourcing activities and preventing outsourcing risk. In addition, the Bank built up capacity for emergency response, re-examined the business continuity management system, had its units at all levels organize emergency drills in various forms based on actual circumstances and improved the practicality of drills. It also continuously strengthened the prevention and control of information technology risks, conducted comprehensive assessment and continuous monitoring of such risks, and deepened risk assessment of key technology projects. During the reporting period, the operational risk management system of the Bank enjoyed stable operation, placing operational risk under control in the overall sense.

3.4.7 Reputational Risk Management

Reputational risk mainly refers to the risk caused by negative opinion of the Bank by stakeholders resulting from the Bank's operation, management and other actions or external events.

During the reporting period, the Bank strengthened the source management of reputational risk, and achieved progress in preparing contingency plans and mitigating risk by identifying potential risk points and intensifying research, identification and early warning. At the same time, the Bank organized reputational risk management training and practical drills, and hence strengthened branches' capabilities for controlling reputational risk and responding to public opinions. The Bank also continued to monitor public opinions on a daily basis and actively addressed the concerns of the media and the public. During the reporting period, the Bank steadily improved its reputational risk management and effectively maintained a good image and reputation.

3.4.8 Country Risk Management

Country risk refers to the risk of losses to the business or assets of the Bank in a country or region or other losses of the Bank caused by the inability or refusal of the borrower or debtor in the country or region to repay the Bank's debts due to economic, political and social changes and events in the country or region.

The Bank followed the principle of adapting and continuous improvement in country risk management. It gradually improved country risk management policies and procedures, and formulated concrete methods and procedures based on its country risk management objectives, country risk exposure scale and business complexity, so as to effectively identify, measure, monitor and report country risk, and promote the steady development of its business in the light of country risk management objectives, the size of country risk exposure and business complexity. During the reporting period, the Bank continued to enhance country risk management in line with regulatory requirements and operating strategies, reviewed annual country risk limits, and strengthened limit management of high-risk countries. It also regularly conducted country risk ratings, monitored changes in country risk exposures, and carried out stress tests on country risk, thus controlling country risk at an acceptable level.

3.4.9 Anti-Money Laundering

The Bank strengthens the Anti-Money Laundering (AML) and internal control and compliance risk management and improves the quality of money laundering risk management in accordance with the Law of the People's Republic of China on Anti-Money Laundering, the Measures for the Administration of Anti-Money Laundering and Counter Terrorist Financing by Banking Financial Institutions and the Guidelines for Risk Management Regarding Money Laundering and Terrorist Financing in Corporate Financial Institutions (Trial), as well as other laws and regulations regarding AML.

The Bank practices an "all-employee, all-aspect and full-process" AML risk management cultural concept. Its Board of Directors, Board of Supervisors, and senior management attached great importance to the fostering of money laundering risk management culture and the personnel team building. During the reporting period, the Bank constantly improved its AML corporate governance framework and defined the AML management responsibilities of the Board of Directors, the Board of Supervisors, and the senior management in the Basic Rules for Anti-Money Laundering and Policy on Money Laundering Risk Management of CITIC Bank, incorporating the Bank's overall AML authorization into its authorization management system for the first time. It gave full play to the decision-making role of the Anti-Money Laundering Work Leadership Group, promoted the "Three Defense Lines" to perform their duties, and thus formed the synergy of AML management. The Bank effectively incorporated the money laundering risk into its comprehensive risk management and determined its money laundering risk management preference. The Anti-Money Laundering Monitoring Center of the Bank completed the contralization of monitoring of suspicious transactions in some branches, continuously improved the money laundering risk assessment mechanism of customers, products and institutions, and made further endeavors to improve the Bank's money laundering risk management system. The Bank continuously improved its AML management rules through re-inspection of the existing AML policy system and formulating or revising over 10 AML management measures and operating rules. It also continuously strengthened the customer identification management, perfected the name list-based monitoring and screening system and optimized the functions of the AML risk management system to effectively forestall money laundering risk.

3.5 Capital Management

The Group has established a comprehensive capital management system covering capital planning, capital allocation, capital examination, capital monitoring and capital analysis and management. During the reporting period, in line with changes in both the internal and external situations, the Group continued to uphold the "capital light, asset light and cost light" development strategy. Following the concept of "capital constrains assets", the Bank established a linkage mechanism between capital planning and business arrangements, made reasonable plans for asset growth, actively promoted asset turnover and thus continuously improved its asset structure. At the same time, guided by the concepts of "light development" and "value creation", the Group adopted the dual-line management model, i.e., "limit management of regulatory capital" and "examination of economic capital" to coordinate the balance of regulatory capital and economic capital, and further improved the capital allocation and capital examination. During the reporting period, the Group redeemed RMB37 billion of tier-2 capital bonds as planned and completed the issuance of RMB40 billion of convertible bonds and RMB40 billion of undated bonds at proper time which further enhanced the risk resilience of capital and ensured the relative stability of capital adequacy ratios at different tiers.

As at the end of the reporting period, as required by the Provisional Measures for Capital Management of Commercial Banks promulgated by the former CBRC in June 2012, the Group recorded the following capital adequacy profile: a capital adequacy ratio of 12.44%, a decrease of 0.03 percentage point from the end of the previous year; a 10.20% tier-one capital adequacy ratio, 0.77 percentage point higher than the end of the previous year; and a 8.69% core tier-one capital adequacy ratio, up by 0.07 percentage point from the end of the previous year, all meeting regulatory requirements.

In 2020, the Group will continue to carry out comprehensive capital management with the focus on capital under the guidance of "light development" and "value creation", and realize the balanced development of business growth, value return and capital consumption by strengthening capital management measures, so as to improve capital application efficiency at all fronts.

Capital adequacy ratios

Unit: RMB million

Item	**31 December 2019**	31 December 2018	Increase (%)/ Decrease	31 December 2017
Net core tier-one capital	**444,203**	403,354	40,849	366,567
Net additional tier-one capital	**77,555**	37,768	39,787	36,811
Net tier-one capital	**521,758**	441,122	80,636	403,378
Net tier-two capital	**114,139**	142,271	(28,132)	99,443
Net capital	**635,897**	583,393	52,504	502,821
Risk-weighted assets	**5,113,585**	4,677,713	435,872	4,317,502
Core tier-one capital adequacy ratio	**8.69%**	8.62%	Up 0.07 percentage point	8.49%
Tier-one capital adequacy ratio	**10.20%**	9.43%	Up 0.77 percentage point	9.34%
Capital adequacy ratio	**12.44%**	12.47%	Down 0.03 percentage point	11.65%

Leverage ratio

Unit: RMB million

	31 December 2019	31 December 2018	Increase (%)/ Decrease	31 December 2017
Leverage ratio	**6.71%**	6.37%	Up 0.34 percentage point	6.18%
Net tier-one capital	**521,758**	441,122	80,636	403,378
Adjusted balance of on- and off-balance sheet assets	**7,780,321**	6,928,004	852,317	6,527,276

Note: The Group calculated its leverage ratio in accordance with the provisions of the Rules on Leverage Ratio of Commercial Banks (2015 Revision) (CBRC Decree [2015] No.1). For detailed information about leverage ratios, please refer to the column on investor relations at http://www.citicbank.com/about/investor/financialaffairs/gglzb/.

3.6 Material Investments, Acquisitions and Disposal and Restructuring of Assets

The meeting of the Board of Directors of the Bank convened on 27 June 2019 considered and adopted the Proposal on Increasing Share Capital of CITIC aiBank Corporation Limited, giving consent that the Bank would contribute RMB1.4 billion to subscribe the shares of CITIC aiBank. Based on work needs, the meeting of the Board of Directors of the Bank convened on 18 December 2019 considered and adopted the Proposal on Adjusting the Plan for Increasing Share Capital of CITIC aiBank Corporation Limited, giving consent that the Bank would contribute RMB1.4 billion to subscribe the shares of CITIC aiBank as well as the adjusted plan for increasing share capital of CITIC aiBank. The share capital increase plan shall be subject to the approval of CBIRC and other competent authorities.

The meeting of the Board of Directors of the Bank convened on 13 December 2018 deliberated and approved the Proposal on Establishing CITIC Wealth Management Corporation Limited, giving consent that the Bank would establish CITIC Wealth Management Corporation Limited with proprietary fund. On 5 December 2019, the Bank received the Reply of CBIRC on the Preparations for Establishing CITIC Wealth Management Corporation Limited (CBIRC Reply [2019] No. 1095) issued by CBIRC, approving the Bank's establishment of CITIC Wealth Management Corporation Limited with a contribution up to RMB5 billion. After the preparations for the establishment, the Bank would submit an application for opening business to CBIRC according to relevant rules and procedures.

Please refer to the relevant announcements that the Bank disclosed on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for relevant information.

Except for those already disclosed and the day-to-day businesses such as transfer of credit assets that were involved in its business operation, the Bank was not aware of any other material acquisitions or disposals of assets or mergers of enterprises that took place in the reporting period.

3.7 Information about Structured Entities Controlled by the Bank

For relevant information about structured entities beyond the scope of the Bank's consolidation of financial statements, please refer to Note 59 to the financial statements contained in this report.

3.8 Outlook and Response

The world in general is still undergoing in-depth adjustments following the global financial crisis, and the stability and growth outlook for the Chinese economy will remain unchanged.

On the one hand, the development of the banking industry faces challenges. The global economy continues to slow down, profound changes are unfolding with accelerated pace, and sources of turbulence and risks have substantially increased. At a pivotal stage of transforming its growth model, improving its economic structure, and fostering new drivers of growth, China faces intertwined structural, institutional and cyclical problems, and the impact of simultaneous dealing with the slowdown in economic growth, making difficult structural adjustments and absorbing the effects of previous economic stimulus policies continues to deepen. At the same time, COVID-19 has imposed impact on macro economy, particularly causing shocks to some service industries during the Spring Festival of 2020, and may continue to affect the economy, which magnified the downward pressure on the Chinese economy. The financial supply-side structural reform will be advanced, and financial institutions will continue to improve the quality and efficiency in serving the real economy. The formation mechanism of loan prime rate (LPR) will be improved, reform of key areas will be constantly enhanced and the operation of financial institutions will be further standardized. In the context of forestalling and defusing financial risks, the Chinese regulators will maintain "stringent regulation and severe penalty", continue to resolve the risks of shadow banking, non-performing loans, defective financial institutions and peer-to-peer lending, and move forward to transform wealth management business, curb the financialization and bubbling of real estate and reducing existing illegal practices on the market. Accordingly, financial institutions will continuously stick to the basics of financial services in their operation, intensify risk management and internal control, and pursue high-quality and sustainable development.

On the other hand, commercial banks face new opportunities for development. This year 2020 will be the year to complete the building of a moderately prosperous society in all respects and the final year for the 13th Five-Year Plan. In particular, to hedge the economic impact of the COVID-19 outbreak, China will strengthen the countercyclical adjustment of macroeconomic policies, make proactive fiscal policy more effective and make prudent monetary policy more flexible and moderate. China will also pace up infrastructure construction, increase support to small and micro enterprises and private enterprises, take further steps to ensure stable employment, a stable financial sector, stable foreign trade, stable foreign investment, stable domestic investment, and stable expectations and improve the ability to deal with major public health emergencies. All these have offered opportunities for commercial banks to make asset investment and carry out deposit marketing. China will adhere to the new development philosophy, focus on the main line of supply-side structural reform, and make precise efforts in areas like modern and advanced manufacturing industries. It will promote the coordinated development of the Beijing-Tianjin-Hebei region, the integrated development of the Yangtze River Delta, and the development of the Guangdong-Hong Kong-Macao Greater Bay Area to build new driving forces that lead high-quality development, thus create a world-class innovation platform and foster new sources of growth. This will provide a broad space for structural adjustment, transformation and development of commercial banks. In addition, China will further deepen its reform and opening-up, expedite the building of advanced market regulatory regimes and standards as well as reforms of the financial system, and improve the basic policies of the capital market. China will improve the quality of listed firms and steadily advance reforms of the Growth Enterprise Market and the National Equities Exchange and Quotation. The nation will also improve the investment policy and service system for the Belt and Road Initiative, and give full play to the Free Trade Zones' role as pilot ground for reform and opening-up. These will bring opportunities for commercial banks to engage in businesses such as mergers and acquisitions, equity finance and cross-border operations. The Bank will ride on the trend of China's economic development, grasp the opportunities available from economic growth and transformation, and continuously improve its risk management system. What's more, it will strengthen the guiding role of its credit policy, continuously optimize its asset portfolio allocation and improve risk prevention and control in key areas, so as to effectively guarantee that the Bank could achieve its objectives of forestalling and defusing financial risks, serving the real economy and becoming "the enterprise offering the best comprehensive financial services". In terms of corporate banking business, the Bank will continue to focus on the core deposits marketing, constantly improve its corporate deposit structure, and actively support high-end equipment manufacturing, transportation, environmental protection, infrastructure construction, inclusive finance, green credit and the private economy. In terms of retail banking business, the Bank will comprehensively advance the transformation and high-quality development from the 2 aspects of organization transformation and capacity building, with institutional upgradation and iteration and digital transformation as the two main lines. With its strategic arrangements in the fields like wealth inheritance of high net wealth people, consumption upgradeation of middle class, retirement finance, scenario ecology building, the Bank will comprehensively enhance the customer relations in a bid to become the first choice as the wealth management bank. In terms of financial markets business, aiming at the improvement of "the capacities of customer management, asset acquisition and transaction turnover", the Bank, with a core task of comprehensive enhancement of light style development, will stick to the bottom line of risk compliance, deepen customer management, constantly enhance service capacity and optimize its asset portfolio, to improve profitability. In 2020, the Bank will uphold the goal of stable healthy development, return to the basics of customer management, and fully promote the transformation to high-quality development. It will strive to achieve a growth rate about 10% in its loans to customers and its customer deposits for stable operating profits and the good completion of its 2018-2020 development plan. For details of the Bank's strategies and implementation thereof, please refer to "Capital Market Focuses – Implementation of the 2018-2020 Development Plan" in this chapter.

The future plans, development strategies and other forward-looking descriptions involved in the above prediction do not constitute substantive commitments of the Bank to its investors. Investors and relevant persons are kindly reminded to maintain adequate risk awareness of such predictions and understand the differences between plans, forecasts and commitments.

3.9 Management of Corporate Social Responsibility

The Bank adhered to the original mandate of banks to serve the real economy. It undertook economic, environmental and social responsibilities, moved ahead in implementing the new development philosophy, built an inclusive finance system and implemented precision poverty alleviation. Dedicated to giving back to society, the Bank actively participated in public benefit activities, helped vulnerable groups in various fields including poverty alleviation, education, environmental protection and health care, and aimed to prosper along with society.

The Bank upheld the vision of becoming a bank with a human touch, after the outbreak of COVID-19, the Bank donated RMB50 million to China Charity Federation for preventing and controlling of the epidemic, rescuing patients and protecting medical workers nationwide. Meanwhile, the Bank overcame difficulties and ensured stable provision of financial services, playing a positive role in the anti-epidemic battle with financial services. The Bank prioritized government and hospitals for financial business transactions, and actively took due responsibilities to launch a series of policies and measures and solve the financing difficulties of enterprises. The Bank supported enterprises, especially small and micro ones, to resume work and production, and supported personal customers for their reasonable appeals during this special period.

For details of social responsibility and public benefit activities of the Bank in the reporting period, please refer to the *2019 Sustainable Development Report* the Bank published on the official websites of the SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report.

Chapter 4 Report of the Board of Directors

4.1 Principal Business

The Bank is engaged in commercial banking and related financial services.

4.2 Profit and Dividend Distribution of Ordinary Shares

To give investors reasonable return on investment and help investors develop stable expectation of investment returns, relevant provisions of the Articles of Association of the Bank lay down explicit requirements on dividend policies of ordinary shares such as the basis, principles, intervals, methods and conditions of profit distribution, highlight the cash distribution as the preferred distribution method, provide for the minimum cash distribution proportion of no less than 10% of the net profit attributable to equity holders of the Bank except for special circumstances and that the change of dividend distribution policies shall be valid after being brought in writing, deliberated and passed in the Board of Directors meeting and approved by special resolution of the general meeting. And these provisions also offer shareholders an online voting platform for participation in voting for the proposals on distribution plans. Formulated in compliance with regulations, through transparent procedures and with complete decision-making process, the Bank's profit distribution policy has clear criteria and proportion for profit distribution, fully protects legitimate rights and interests of its minority investors, and meets the provisions set forth in the Articles of Association of the Bank.

The Bank has not distributed profit through transfer of capital reserve to share capital since its IPOs. Cash dividend distribution of ordinary shares of the Bank in the past three years is set out in the table below.

Unit: RMB million

Year for which dividends were distributed	Cash dividends every ten shares (RMB yuan) (pre-tax)	Total amount of cash dividends (pre-tax)	Net profit attributable to ordinary shareholders of the Bank as indicated in consolidated statements	Distribution ratio (%)(Note)
2016	2.150	10,521	41,629	25.27%
2017	2.610	12,772	41,236	30.97%
2018	2.300	11,255	43,183	26.06%

Note: Distribution ratio is the ratio of the total amount of cash dividends for the current period to the net profit attributable to the ordinary shareholders of the Bank on the consolidated financial statements.

After-tax profit as shown on the Bank's audited 2019 financial statements respectively prepared in accordance with the PRC Accounting Standards and IFRS were both RMB45.592 billion.

The Bank transferred 10% of its after-tax profit as shown on the financial statements prepared in accordance with the PRC Accounting Standards to the statutory surplus reserve, with the accrual thereof recording RMB4.559 billion as at the end of the current period.

In comprehensive consideration of the overall interests of all shareholders, the Bank's business development plan, equity investment matters, the need to safeguard the Bank's sustainable development and the regulatory requirements on capital adequacy ratios, and in the light of the industry's characteristics and development phase as well as the Bank's profitability, the Bank plans to pay cash dividends to all ordinary shareholders based on the total share number as shown on the Bank's register on the register date. And the cash dividends for A shares and H shares on the register will be RMB2.39 per 10 shares (before tax). Calculated according to the total A shares and H shares on register as at December 31 2019, the total dividends of 2019 for ordinary shareholders will be RMB11.695 billion[29], accounting for 25.05% of the consolidated net profit attributable to ordinary shareholders of the Bank.

It is planed that the Bank will maintain the dividends per share unchanged and adjust the total dividends when there is a change in the Bank's total shares before the register date. And these dividends shall be denominated and declared in Renminbi, and shall be paid to A shareholders in Renminbi and to H shareholders in Hong Kong dollar. The dividends to be paid in Hong Kong dollar shall be calculated in accordance with the average benchmark exchange rate of Renminbi to Hong Kong dollar as released by PBOC one week preceding the convening of the 2019 Annual General Meeting (inclusive of the date of the general meeting). No scheme for transfer of capital reserve to share capital will be applied for the current year. Retained undistributed profit after dividend payment shall be carried forward to the next financial year and continue to be used to replenish the Bank's capital so as to maintain reasonable capital adequacy ratio. The Bank recorded a 11.07% return on weighted average equity attributable to its ordinary shareholders in 2019 and is expected to maintain a certain level of return and contribution in 2020.

This ordinary share profit distribution plan ("the Plan") complies with relevant provisions of the *Articles of Association* of the Bank and follows clear criteria and proportions of dividend payment. After sufficient discussion and consideration at the meeting of the Strategic Development Committee of the Board of Directors of the Bank, the Plan was submitted for deliberation at the meetings of the Board of Directors and the Board of Supervisors convened on 26 March 2020 and adopted afterward. It shall be submitted to the 2019 Annual General Meeting to be convened on 20 May 2020 for deliberation. It is expected that the Bank will pay the 2019 annual dividends to its ordinary shareholders within two months as of the adoption of the Plan by the general meeting. The Bank proposed to pay the 2019 annual dividends to H shareholders on 15 July 2020. And, should there be any change thereof, the Bank will publish a separate announcement for disclosure. The record date and specific method of dividend payment to its A shareholders shall be announced separately by the Bank.

The Bank's independent non-executive directors have performed their due responsibilities in the decision-making process of the Plan and expressed their independent opinion on the Plan as follows: The 2019 ordinary share profit distribution plan of the Bank is consistent with the reality of the Bank and has taken the overall interests of both the Bank and its shareholders into consideration. We hereby endorse the Plan and agree to have the Plan submitted to the 2019 Annual General Meeting for deliberation.

When the Plan is submitted to the 2019 Annual General Meeting for deliberation, the Bank will, as required by relevant regulatory requirements, offer investors online voting facilities and disclose voting results in accordance with the shareholding percentages of the voting A shareholders. The shareholding percentages are placed in the three ranges of below 1%, 1-5%, and above 5%. The shareholders with less than 1% shareholding will be further classified into the two categories of above and below RMB500,000 market value of shareholdings and their voting results shall be further disclosed accordingly. Minority investors have opportunities to fully express their opinions and demands, and the preparation and implementation of this Plan fully protects their legitimate rights and interests.

For details of the profit distribution plan of ordinary shares of the Bank, please refer to relevant announcement published on the official websites of the SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report.

29 Since the convertible bonds issued by the Bank are in the conversion period, the total cash dividends of ordinary shares actually distributed will be determined based on the total share number as shown on the Bank's register on the register date.

4.3 Material Litigations and Arbitrations

The Group was involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 121 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent with an aggregate disputed amount of RMB2.436 billion.

The Bank is of the view that the above-mentioned litigations or arbitrations will not have significant adverse impacts on either its financial position or its operating results.

4.4 Appropriation of Funds by the Controlling Shareholder and Other Related Parties

There was no appropriation of the Bank's funds by either the controlling shareholder or other related parties. PricewaterhouseCoopers Zhong Tian LLP has issued the *Special Report on Fund Appropriation by the Controlling Shareholder of China CITIC Bank Corporation Limited and Other Related Parties* with regard to appropriation of the Bank's funds by the controlling shareholder and other related parties in 2019. Please refer to the relevant announcements the Bank disclosed on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report for relevant information.

4.5 Material Related Party Transactions

When engaging in related party transactions with related parties during its ordinary and usual course of business, the Bank executed the transactions with terms being no more favorable than those available to independent third parties according to general business principles. For statistical details of the related party transactions, please refer to Note 58 "Related Party Relationship and Transactions" to the financial statement contained in this report. Except what has been disclosed under this sector, these related transactions constitute no connected transaction as per Chapter 14A of *Hong Kong Listing Rules*. And the transactions constituting connected transactions as per the Chapter 14A of *Hong Kong Listing Rules* all complied with the disclosure requirements under Chapter 14A of *Hong Kong Listing Rules*.

4.5.1 Related Party Transactions Involving Disposal and Acquisition of Assets or Equity

During the reporting period, the Bank was not engaged in any material related party transactions involving the disposal and acquisition of assets or equity.

4.5.2 Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, the Bank applied to SSE for the respective annual caps on credit extension for related party transactions with CITIC Group and its related parties, with Xinhu Zhongbao and its related parties, and with China Tobacco and its related parties from 2018 to 2020. In line with the need for business development, and with approval from the 7th meeting of the 5th session of the Board of Directors convened on 25 October 2018, the Bank applied to SSE for the annual caps on credit extension for related party transactions with Poly Group and its related parties from 2018 to 2020. Subject to the regulatory requirements applicable to the Bank, the 2019 annual caps on credit extension for related party transactions with the afore-mentioned four parties under the SSE regulatory criteria came to the amounts of RMB150 billion, RMB20 billion, RMB20 billion and RMB18 billion, respectively. In addition, the balances of the Bank's credit extension to these four parties may not exceed 15% of the Bank's net capital of the preceding quarter as per relevant CBIRC requirements. All credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties for similar transactions.

The Bank attached great importance to the day-to-day monitoring and management of credit extension related party transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as more intensive process-based management, strict risk review and better post-lending management of related credit extension. As at the end of the reporting period, the balance of credit that the Bank and its subsidiaries extended to all related enterprises under the SSE regulatory criteria amounted to RMB40.355 billion, including RMB32.297 billion to CITIC Group and its related parties, RMB7.040 billion to Xinhu Zhongbao and its related parties, zero to China Tobacco and its related parties, RMB0.518 billion to Poly Group and its related parties, and RMB0.5 billion to related parties where the Bank's related natural persons invested in or worked for. Under the CBIRC regulatory criteria, the balance of credit that the Bank and its subsidiaries extended to all related enterprises amounted to RMB73.271 billion, including RMB31.122 billion to CITIC Group and its related parties, RMB19.599 billion to Xinhu Zhongbao and its related parties, RMB0.185 billion to China Tobacco and its related parties, RMB20.596 billion to Poly Group and its related parties, and RMB1.769 billion to related parties where the Bank's related natural persons invested in or worked for. Such credit extensions to related enterprises were of good quality in general, with one transaction being a special mention loans (RMB1.044 billion) and two being substandard loans (RMB983 million), and all others being performing loans. As such, these credit extension transactions will not exert material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality.

The Bank stringently followed the SSE and CBIRC requirements on review and disclosure of credit extension to related parties. As at the end of the reporting period, there was no fund exchange or appropriation as set forth in the provisions of the *Notice on Several Issues Concerning the Standardization of Fund Exchanges between Listed Companies and Their Related Parties and External Guarantees Provided by Listed Companies (as amended in 2017)* (CSRC Announcement [2017] No.16) and the *Notice on Standardization of External Guarantees Provided by Listed Companies* (CSRC Release [2005] No.120). The related loans that the Bank extended to CITIC Group and its related parties, Xinhu Zhongbao and its related parties, China Tobacco and its related parties, Poly Group and its related parties, and the related parties where the Bank's related natural persons invested in or worked for had no adverse impact on the operating results or financial position of the Bank.

4.5.3 Non-Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 25th meeting of the 4th session of the Board of Directors convened on 24 August 2017 and the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, the Bank applied to SSE and SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its related parties for 2018-2020, and has entered into relevant continuing related party transactions agreements on the board meeting day. In line with the need for business development, and with review and approval from the 7th meeting of the 5th session of the Board of Directors convened on 25 October 2018, the Bank applied to SSE for the respective annual caps on non-credit extension continuing related party transactions with Xinhu Zhongbao and its related parties, with China Tobacco and its related parties, and with Poly Group and its related parties from 2018 to 2020. The non-credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties for similar transactions.

The Bank carried out non-credit extension continuing related party transactions with CITIC Group and its related parties, with Xinhu Zhongbao and its related parties, with China Tobacco and its related parties, and with Poly Group and its related parties according to the applicable provisions of Chapter 14A of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and Chapter 10 of the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*. Particulars thereof are described as follows:

4.5.3.1 Third-Party Escrow Services

Third-party escrow services between the Bank and its substantial shareholders and their associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by its substantial shareholders and their associates shall be determined on the basis of relevant market price and subject to periodic reviews. The principal terms of the *Third-Party Escrow Service Framework Agreement* are set out as follows: (1) to provide third-party escrow services in connection with the transaction settlement funds of the customers of different securities companies; (2) the services to be provided under the agreement include but not limited to funds transfer, payment of interest and other settlement-related matters; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider (if applicable); (4) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on third-party escrow services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in 2019
CITIC Group and its associates	Third-Party Escrow Services	Service fees	0.8	0.16
Xinhu Zhongbao and its associates			0.5	0
China Tobacco and its associates			0.5	0
Poly Group and its associates			0.5	0

As at the end of the reporting period, none of related party transactions on third-party escrow services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.2 Asset Custody Services

Asset custody services, account management services and third-party regulatory services provided between the Bank and its substantial shareholders and their associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to each other shall be determined on the basis of relevant market price and the categories of assets or funds under custody, subject to periodic review. The principal terms of the Asset Custody Service Framework Agreement are set out as follows: (1) to provide asset custody services and account management services in connection with financial assets or funds, including but not limited to, assets under management by fund companies (including securities investment funds), assets under management by securities companies, assets under management by trust companies, wealth management products of commercial banks, assets under management by insurance companies, equity investment funds, enterprise annuities, QDII, QFII, social insurance funds, welfare plans, funds of third-party transactions; (2) to conduct third-party supervising services, the service recipient shall pay the service fees; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider; and (4) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on asset custody services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in 2019
CITIC Group and its associates	Asset Custody Services	Service fees	15	4.55
Xinhu Zhongbao and its associates			2	0
China Tobacco and its associates			2	0.01
Poly Group and its associates			2	0.004

As at the end of the reporting period, none of related party transactions on asset custody services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.3 Financial Consulting and Asset Management Services

The financial consulting and asset management services provided between the Bank and its substantial shareholders and their associates shall have no fixed prices or rates. The price and rate applicable to a particular service may be calculated on the basis of the scale, rate and duration of the service, and shall be determined through fair and reciprocal negotiations between the parties and on terms no more favorable than those available to independent third parties. The principal terms of the Financial Consulting Service and Asset Management Service Framework Agreement are set out as follows: (1) the services including, but not limited to: bond underwriting, financing and financial consulting services, financial products agency sales services, asset securitization underwriting, entrusted loans services, underwriting of investment and financing projects, consulting services, and management of factoring receivables, collection of receivables and guarantee for bad debts, etc.; (2) the service recipient shall, and will procure its associates to pay service fees to the service provider (if applicable); (3) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on financial consulting and asset management services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in 2019
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fees	50	6.66
Xinhu Zhongbao and its associates			5	0.09
China Tobacco and its associates			5	0.004
Poly Group and its associates			5	0.02

As at the end of the reporting period, none of related party transactions on financial consulting and asset management services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.4 Capital Transactions

The Bank and its substantial shareholders and their associates shall conduct capital transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. The prices and rates applicable to such transactions between the two parties shall be the prevailing market prices with reference to the rates generally applicable to independent third parties for similar transactions. Specifically, for foreign exchange and precious metals transactions, precious metals leasing, money market transactions, and bond transactions and other business, the two parties shall price their transactions according to publicly available market prices; for agency settlement of bonds business, the two parties shall decide on the rates thereof according to prevailing industrial regulations; and for financial derivatives, transaction prices shall be fixed in accordance with factors such as the level of market activity of the underlying products, openly available market quotes and the Bank's requirements relating to the management of various risks. The principal terms of the Capital Transactions Framework Agreement are set out as follows: transactions covered, including but not limited to, foreign currency and precious metals transactions, precious metals leasing, money market transactions, bond transactions and agency settlement of bonds and financial derivatives transactions.

During the reporting period, related party capital transactions between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in 2019
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	15	2.66
		Fair value recorded as assets	25	2.07
		Fair value recorded as liabilities	45	2.44
Xinhu Zhongbao and its associates		Gains and losses of transactions	5	0.03
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
China Tobacco and its associates		Gains and losses of transactions	5	0
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
Poly Group and its associates		Gains and losses of transactions	5	0
		Fair value recorded as assets	50	0
		Fair value recorded as liabilities	50	0

As at the end of the reporting period, none of related party capital transactions between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.5 Comprehensive Services

Comprehensive services provided between the Bank and its substantial shareholders and their associates include but are not limited to medical insurance and enterprise annuity, procurement of goods and services, outsourcing services, value-added services, advertising services, technology services and property lease. The Bank and its substantial shareholders and their associates shall apply prevailing market prices or applicable rates of independent third-party transactions to comprehensive services between them and shall determine the price and rate of a particular type of service through fair and reciprocal negotiations and according to applicable market price and rate. The principal terms of the *Comprehensive Service Framework Agreement* are set out as follows: (1) services conducted include, but are not limited to, medical insurance and enterprise annuity; merchandise service procurement (including conference hosting services); outsourcing services; value-added services (including bank card customers' credit point exchange services and electronic online banking services); advertising services; technology services and property leasing; (2) both parties of the agreement shall provide the services prescribed in the agreement; and (3) the service recipient shall pay the service fees to the service provider with respect to the services it provides. The services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third-party customers.

During the reporting period, related party transactions on comprehensive services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in 2019
CITIC Group and its associates	Comprehensive Services	Service fees	35	26.84
Xinhu Zhongbao and its associates			1	0.12
China Tobacco and its associates			1	0.08
Poly Group and its associates			4	0.16

As at the end of the reporting period, none of related party transactions on comprehensive services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.6 Asset Transfer

Asset transfer transactions between the Bank and its substantial shareholders and their associates shall be made on terms no more favorable than those available to independent third parties. The transfer prices payable by the transferee shall be determined according to the following principles: (1) for transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of entirety. When transferring a credit asset to the transferee, the transferor shall use the loan principal as the transaction price, make a parity transfer without discount or premium, and prioritize the consideration of post-transfer obligations to be performed by the transferor and the transferee in addition to the market supply and demand; (2) for transfer of assets in asset securitization, the Bank shall use the loan principal as the transaction price when transferring a credit asset to a related party. Except for securitization of non-performing assets, the Bank shall make parity transfers in general. In terms of the issuance interest rate of the asset-backed securities, the prioritized asset-backed securities' issuance interest rate (with exclusion of the sections held by the originating institutions) shall be determined by the approach of single spread (Netherland Style) bidding or book building through the bidding system of China Central Depository & Clearing Co., Ltd., and the secondary asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the number of tenders or by the book building approach; and (3) where there is no statutory government-prescribed transfer price available at present for a particular asset transfer, once such statutory prices are available in the future, the concerned asset transfers shall be priced with reference to the government prescribed prices. The principal terms of the Asset Transfer Framework Agreement are set out as follows: (1) to buy or sell the interests in credit loan or other related assets (including but not limited to, directly or through asset management plan, asset securitization, factoring or other forms to sell corporate and retail credit loan assets, and inter-bank creditor's rights); (2) the term of business under the agreement shall be made on terms no less favorable to the Bank than terms available to or from independent third parties; (3) the agreement shall specify the management rights of the credit loan and other related assets; and (4) undertake confidentiality obligations in respect of the asset transfer.

During the reporting period, related party transactions on asset transfer between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in 2019
CITIC Group and its associates	Asset Transfer	Transaction amount	2,200	505.95
Xinhu Zhongbao and its associates			100	0
China Tobacco and its associates			100	0
Poly Group and its associates			100	0

As at the end of the reporting period, none of related party transactions on asset transfer between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.7 Wealth Management and Investment Services

The Bank and its substantial shareholders and their associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank provides its substantial shareholders and their associates with wealth management and investment services including non-principal-protected wealth management and agency services, principal-protected wealth management, and proprietary fund investment, while its substantial shareholders and their associates provide the Bank with intermediary services of wealth management, such as trust services and management services. The transactions between the two parties shall be made through fair negotiations, determined in accordance with normal commercial terms and conducted on terms no more favorable than those available to independent third parties, in line with the categories and scopes of wealth management services, and with real-time adjustments made according to changes in market price. The principal terms of the Wealth Management and Investment Service Framework Agreement are set out as follows: (1) To provide wealth management and investment services, including non-principal-protected wealth management services and agency services, principal-protected wealth management services, and proprietary fund investment; and the related party will provide the Bank with wealth management intermediary services, including trust services and management services; (2) the related party shall pay service fees to the Bank with respect to the wealth management and investment services provided by the Bank, while the Bank shall also pay service fees to the related party with respect to the wealth management intermediary services; and (3) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on wealth management and investment services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in 2019
CITIC Group and its associates	Non-principal-protected wealth management and agency services	Service fees	30	10.43
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	140	1.19
		Yield on wealth management services for customers	6	0.11
		Bank investment return and service fees	68	7.82
		Period-end balance of investment funds	1,000	208.56
Xinhu Zhongbao and its associates	Non-principal-protected wealth management and agency services	Service fees	5	0.00002
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	100	0
		Yield on wealth management services for customers	10	0.004
		Bank investment return and service fees	4	0
		Period-end balance of investment funds	50	0
China Tobacco and its associates	Non-principal-protected wealth management and agency services	Service fees	1	0
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	10	0
		Yield on wealth management services for customers	1	0
		Bank investment return and service fees	1	0
		Period-end balance of investment funds	10	0
Poly Group and its associates	Non-principal-protected wealth management and agency services	Service fees	3	0.0002
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	30	0
		Yield on wealth management services for customers	3	0.0003
		Bank investment return and service fees	4	0
		Period-end balance of investment funds	50	0

As at the end of the reporting period, none of related party transactions on wealth management and investment services between the Bank and the aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap.

4.5.4 One-off Connected Transactions

During the reporting period, the Bank conducted the following one-off connected transactions under Hong Kong Listing Rules.

Subscription for A Share Convertible Bonds of Connected Person

The Bank and CITIC Corporation Limited entered into the *Agreement on Subscription of the Publicly Issued A Share Convertible Corporate Bonds* on 28 February 2019, pursuant to which, CITIC Corporation Limited subscribes for A Share Convertible Bonds issued by the Bank at the consideration of no more than RMB26.388 billion in cash.

(1) Date: 28 February 2019

(2) Parties: 1) Party A (Issuer): The Bank; 2) Party B (Subscriber): CITIC Corporation Limited

(3) The Issuance: The total amount of the Convertible Bonds issued by Party A will be no more than RMB40 billion. The actual size shall be determined by the Board authorized by the general meeting of the Issuer after receiving the CSRC's approval on the public issuance of the A Share Convertible Bonds within the above scope.

(4) Subscription: Party B plans to subscribe for 263,880,000 Convertible Bonds from Party A. The final subscription number shall be subject to the number of Convertible Bonds placed in the preferential placement determined in accordance with the market conditions before the Issuance by the Board of Party A, and the balance of online subscription Party B obtained after participating in the preferential placement (if any).

(5) Price: The Convertible Bonds of Party A will be issued at par with a nominal value of RMB100 each.

(6) Reasons for and Benefits of the Transaction: To improve the Bank's capital adequacy ratio and strengthen the Bank's comprehensive competitiveness and sustainable development, the Bank previously approved the Issuance of A Shares Convertible Bonds. As a financing instrument with the characteristics of both stocks and bonds, convertible bonds have a long term, which makes them well recognized by the investors and meet the needs of the market. Therefore, corporate bonds are a realistic choice for the Bank to supplement its core tier one capital. To protect the interests of the existing shareholders and reduce the dilution effect on the existing shareholders caused by the Issuance, the Issuance provides the existing A Share shareholders with preferential right, which entitles them to preferentially subscribe for the A Share Convertible Bonds in accordance with the proportion of the A Shares possessed by each of them of the Bank.

(7) Hong Kong Listing Rules Implications: As CITIC Corporation Limited holds 65.37% of the shares of the Bank, and CITIC Limited and its subsidiaries (including CITIC Corporation Limited) holds 65.97% of the shares of the Bank, CITIC Corporation Limited is a connected person to the Bank. The Transaction constitutes a non-exempt connected transaction of the Bank under the Hong Kong Listing Rules. This Transaction is subject to the reporting, announcement, and the independent shareholders' approval requirements according to Chapter 14A of the Hong Kong Listing Rules. Please refer to the relevant announcements published by the Bank on the websites of HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 28 February 2019 for relevant details about the above transaction.

4.5.5 Related Party Transactions in Joint External Investment

During the reporting period, the Bank did not have any material related party transaction arising from joint external investment with its related parties.

4.5.6 Related Party Debt Transactions and Guarantees

For details of related party debt transactions and guarantees between the Bank and its related parties, please refer to Note 58 to the financial statements of this report.

4.5.7 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to the transactions between the Bank and its related natural persons, please refer to Note 58 to the financial statements of this report.

4.5.8 Confirmation by Independent Non-Executive Directors and the Auditor

Upon review of the various continuing connected transactions under the Hong Kong Listing Rules made in the reporting period, the independent non-executive directors of the Bank confirmed that these transactions:

(1) were entered into during the Bank's ordinary and usual course of business;

(2) followed general commercial terms; and

(3) abided by the terms and conditions of the concerned transaction contracts that were fair, reasonable and consistent with the overall interests of the Bank's shareholders.

The auditor obtained the list of continuing connected transactions from the Bank's management. After completing relevant work in accordance with Hong Kong Standard on Assurance Engagements 3000 (amended) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by Hong Kong Institute of Certified Public Accountants and the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", the auditor did not find any of the following issues regarding the disclosed continuing connected transactions of the Bank:

(1) continuing connected transactions not approved by the Board of Directors of the Bank;

(2) pricing of connected transactions involving the provision of goods and services not compliant with the Group's pricing policy in all material aspects;

(3) execution of connected transactions not compliant with the terms and conditions of the concerned connected transaction agreements in all material aspects; and

(4) aggregate value of various continuing connected transactions exceeding their respective annual caps disclosed in the announcements dated 24 August 2017 and 30 November 2017.

The Board of Directors has confirmed the receipt of confirmation from the auditor on matters required by Rule 14A.56 under the Hong Kong Listing Rules.

4.6 Material Contracts and Their Performance

4.6.1 Custody, Contracting or Lease of Material Assets

During the reporting period, the Bank did not have any material custody, contracting or leasing of any assets of other companies that took place during the reporting period or that took place in previous periods but went on to the reporting period; neither did other companies hold custody of, contract or lease any material assets of the Bank.

4.6.2 Material Guarantees

The guarantee business is one of the Bank's regular off-balance sheet items. During the reporting period, the Bank did not have any other material guarantee that needs to be disclosed except for the financial guarantee business that is within its approved business scope.

Special Explanations and Independent Opinions of Independent Non-Executive Directors Concerning the Guarantees Provided by the Bank to External Parties

We, as independent non-executive directors of China CITIC Bank, have reviewed the guarantees provided by China CITIC Bank to external parties in an impartial, fair and objective manner, and hereby express the following special explanations and opinions:

We have verified that the guarantees hitherto provided by the Group to external parties were mainly letters of guarantee (LG), which is one of the regular banking businesses within the approved business scope of the Group. As at the end of the reporting period, the value balance of the letters of guarantee issued by the Group was equivalent to RMB147.154 billion.

The Group always attaches great importance to risk management of its L/G business. It has formulated creditability standards of the guaranteed obligor, as well as the operation procedures and the review and approval procedures for the guarantee business based on the risk profiles of the L/G business. During the reporting period, the L/G business of the Group went well, free of any illegal guarantee. We are of the view that the Group has effectively controlled the risks relating to its guarantee business.

Independent Non-Executive Directors of China CITIC Bank Corporation Limited
He Cao, Chen Lihua, Qian Jun, Yan Lap Kei Isaac

4.6.3 Entrusted Wealth Management

During the reporting period, the Bank did not have any entrusted wealth management transactions beyond its normal scope of business.

4.6.4 Other Material Contracts

During the reporting period, the Bank did not sign any other material contracts beyond its normal scope of business.

4.7 Undertakings by the Company and Its Relevant Stakeholders

According to relevant CSRC regulations, the Bank proposed remedial measures regarding the dilution of immediate returns that may arise from the non-public offering of preference shares and the public issuance of A-share convertible corporate bonds and their listings on 30 October 2014 and 26 August 2016, respectively. These measures include: strengthening capital planning and management to ensure capital adequacy and stability; reinforcing asset restructuring to improve capital allocation efficiency; enhancing operational efficiency and reducing operating costs; improving the internal capital adequacy assessment process for better capital management; strengthening capital stress test and improving capital emergency response plans. At the same time, the directors and senior management members of the Bank also gave undertakings to effectively execute the remedial measures concerning the dilution of immediate returns on A-share convertible corporate bonds publicly offered on 26 August 2016. During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings.

During the reporting period, the Bank was not aware of any other undertakings that were performed during the reporting period or overdue undertakings not yet performed as at the end of the reporting period by its de facto controller, shareholders, related parties, acquirers and the Bank itself or other parties that had given undertakings.

4.8 Engagement of Auditors

As per the resolution adopted by the 2018 Annual General Meeting, the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its overseas auditor for the year 2019. The Bank has engaged these two accounting firms as its auditors since the 2015 annual audit. The two accounting firms have both provided audit services to the Bank for 5 consecutive years. Zhu Yu and Li Yan are the signing CPAs for the auditor's report regarding the Bank's 2019 financial statements prepared in accordance with the PRC Accounting Standards. And they have provided 3 and 2 consecutive years' audit service for the Bank. Chan Kwong Tak is the signing CPA for the auditor's report regarding the Bank's 2019 financial statements prepared in accordance with the IFRS, and he has provided 3 consecutive years' audit service for the Bank.

The Group paid audit fees equivalent to about RMB21.31 million (including RMB10.70 million for the auditing of the Bank and RMB10.61 million for its subsidiaries) in total to PricewaterhouseCoopers Zhong Tian LLP who audited its 2019 financial report prepared in accordance with the PRC Accounting Standards and its internal control report as at 31 December 2019 and to PricewaterhouseCoopers who audited its 2019 financial report prepared in accordance with the IFRS. This amount included RMB1 million fee for auditing the internal control report. The statements of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers regarding their responsibilities pertaining to the financial reports are set out in the auditor's reports contained in the A-share and H-share annual reports, respectively.

Except for the above-mentioned audit fees, the Group paid approximately RMB7.84 million to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for their non-audit services (including professional services rendered for asset securitization, tax consulting and IT services, etc.).

4.9 Amendment to the Articles of Association

In May 2018, in accordance with the CBIRC's *Interim Measures for the Equity Management of Commercial Banks, the CSRC's Code of Corporate Governance for Listed Companies and Guidelines for Articles of Association of Listed Companies* and in alignment with its actual situations, the Bank added relevant contents, including the definition of a substantial shareholder, the shareholder obligations, accumulative voting mechanism for electing directors and supervisors and the internal audit work mechanism to its *Articles of Association*, and amended existing provisions regarding the definition of related party transactions, the expression relating to the chairperson of the board of supervisors and the standard setting process for external supervisor allowances. The proposal concerning these amendments was reviewed and adopted at the 2nd Extraordinary General Meeting of 2018 convened on 8 August 2018. The amended *Articles of Association* came into effect upon approval by CBIRC on 11 June 2019.

In December 2018, the Bank planned to make the non-public offering of no more than 400 million preference shares in China, and after the completion of the issuance, amend the provisions of its *Articles of Association* relating to the issuance of the preference shares based on the results of this issuance, including the completion date of the issuance and the Bank's total number of preference shares. The proposal regarding these amendments to the *Articles of Association* was reviewed and adopted at the 1st Extraordinary General Meeting of 2019 convened on 30 January 2019. The amended *Articles of Association* will come into effect after the completion of the issuance of preference share and upon approval by CBIRC.

Please refer to the relevant announcements published by the Bank on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 9 August 2018, 31 January 2019 and 18 June 2019 respectively for relevant details about the amendments to the *Articles of Association*. Investors may check against the full text of the prevailing *Articles of Association* of the Bank on the above websites.

4.10 Equity Incentive Scheme

The Bank did not have any equity incentive scheme in effect as at the end of the reporting period.

4.11 Use of Funds Raised

All proceeds raised by the Bank were used in accordance with the purposes disclosed in relevant documents including the prospectuses for the IPOs and the rights issue, i.e., all the proceeds were used to replenish the capital of the Bank and improve the capital adequacy ratios and risk resilience of the Bank.

4.12 Penalties and Remedial Actions of the Company and Its Relevant Stakeholders

To the best knowledge of the Bank, during the reporting period, neither the Bank nor any of its incumbent directors, supervisors, senior management members, controlling shareholder, de facto controller or acquirers had any record of being subject to investigation by competent authorities or coercive measures by judicial bodies or disciplinary bodies, transfer to judicial bodies or accountability of criminal liabilities, case investigation or administrative penalties by CSRC, ban of entry into securities markets, being identified as inappropriate candidates, material administrative punishments by environmental protection, work safety, taxation or other administrative authorities, or public censure by any stock exchange; nor was the Bank subject to regulatory and administrative measures or requirements for remedial actions within prescribed time limits by CSRC or its dispatched agencies.

During the reporting period, the Bank conducted its business activities in accordance with laws and complied with the provisions of relevant laws, regulations and its *Articles of Association* in its decision-making procedures. Its directors, supervisors and senior management members all performed their due diligence. The Bank was not aware of any conduct on the part of the directors, supervisors and senior management members in their normal course of duty performance that was in violation of relevant laws, regulations and its *Articles of Association* or detrimental to the interests of the Bank.

4.13 Integrity of the Company and Its Relevant Stakeholders

During the reporting period, none of the Bank, its controlling shareholder or its de facto controller was involved in failure to execute valid court verdicts or failure to repay matured debts of considerable amounts.

4.14 Reserves

For details on changes in the reserves of the Bank as at the end of the reporting period, please refer to Notes 44-47 to the financial statements contained in this report.

4.15 Properties

For details of the changes in the Bank's properties as at the end of the reporting period, please refer to Note 27 to the financial statements contained in this report.

4.16 Post Balance Sheet Events

For details of the Bank post balance sheet events as at the end of the reporting period, please refer to Note 64 to the financial statements contained in this report.

4.17 Management Contracts

During the reporting period, the Bank did not enter into any contracts for the administrative management of its overall business or major businesses.

4.18 Distributable Reserves

For details on distributable reserves of the Bank, please refer to "Financial Statements — Consolidated Statement on Changes in Shareholders' Interests" contained in this report.

4.19 Donations

During the reporting period, the Group paid back to society with enthusiasm in strict accordance with the *PRC Charity Law* and other applicable laws and regulations, tilting its donations to areas in the greatest need of help. As at the end of the reporting period, the Group had made donations RMB26.3502 million, HKD5.7726 million[30] and USD20,000[31], in total equivalent to RMB31.6586 million, an increase of 20.52% over the previous year. These donations were mainly used for poverty alleviation, education assistance, disaster relief and financial aid to the vulnerable groups. As at the end of the reporting period, the Group recorded employee donation of RMB1.1828 million, total tax payment of RMB25.380 billion[32], and a social contribution value per share of RMB4.96[33].

4.20 Fixed Assets

For details on changes in the Bank's fixed assets as at the end of the reporting period, please refer to Note 27 to the financial statements contained in this report.

4.21 Retirement and Benefits

The Bank paid contributions to the basic old-age pension schemes for its employees pursuant to relevant national laws, regulations and policies. The amounts of basic pension contributions were determined by employee salaries and locally defined contribution rates. In addition, the Bank established enterprise annuity plans for its employees with contribution rate set at 7% of employee salary income.

For details on retirement benefits that the Bank provided for its employees, please refer to Note 25 to the financial statements contained in this report.

4.22 Share Capital and Public Float

For details on changes in the Bank's share capital during the reporting period, please refer to Note 30 to the financial statements contained in this report. Pursuant to publicly available information, the Board of Directors of the Bank was of the view that the Bank had sufficient public float as at the disclosure date of the report.

4.23 Purchase, Sale or Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

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30 According to the announcement on the central parity rate of RMB under the authorization of the China Foreign Exchange Trade System on 31 December 2019, i.e., 1:0.8958 for Hong Kong dollar to Renminbi.

31 Calculated based on the transaction price on China's interbank foreign exchange market at 16:30 on 31 December 2019, i.e., 1:6.9668 for US dollar to Renminbi. The calculation formula for the transaction price is (buying price + selling price)/2.

32 The Bank always pays taxes according to laws, and there is no taxation dispute or penalty occurred.

33 Social contribution value per share = (annual taxes paid + wages paid to employees + loan interest paid to creditors + total external donations + other social costs arising from environmental pollution and other factors)/total share capital + basic earnings per share.

4.24 Pre-emptive Rights

None of PRC laws, administrative regulations and ministerial rules, and the *Articles of Association* of the Bank contain any mandatory provisions on pre-emptive rights for purchase of shares. According to its *Articles of Association*, the Bank may increase its registered capital by way of public offering or private offering of ordinary shares, right allocation to the existing ordinary shareholders, new shares issuance to the existing shareholders, transfer of capital reserve to share capital, conversion of preference shares to ordinary shares or other means permitted by laws and administrative regulations or as approved by relevant authorities.

4.25 Issuance of Shares

For relevant information about the Bank's issuance of shares during the reporting period, please refer to Chapter 5 "Changes in Ordinary Shares and Information on Ordinary Shareholders" and Chapter 6 "Preference Shares" of this report.

4.26 Issuance of Debentures

Please refer to Chapter 5 "Changes in Ordinary Shares and Information on Ordinary Shareholders" of this report for information about the Bank's issuance of debentures.

4.27 Equity Linked Agreements

Save for what is disclosed in Chapter 6 "Preference Shares" and Chapter 7 "Convertible Corporate Bonds" of this report, the Bank neither entered into nor continued any equity linked agreements during the reporting period.

4.28 Right of Directors and Supervisors to Acquire Shares or Debentures

During the reporting period, none of the Directors and Supervisors or their respective associates were granted by the Bank or its subsidiaries the right to acquire shares or debentures of the Bank or any other corporate groups; neither did any of the Directors or Supervisors exercise any of such rights.

4.29 Equity Interest of Substantial Shareholders

Please refer to Chapter 5 "Changes in Ordinary Shares and Information on Ordinary Shareholders – Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons" of this report for detailed information.

4.30 Tax Matters

A Shareholders

For individual investor shareholders, the *Notice on Issues Relating to the Implementation of the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies* (Finance and Taxation [2012] No.85), and the *Notice on Issues Relating to the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies* (Finance and Taxation [2015] No.101), both issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC provide that, for shares of listed companies that an individual investor obtains from public offering and/or the transfer market, if the duration of shareholding is less than 1 month (inclusive), the full amount of his or her dividend income shall be calculated as taxable income; if the duration of shareholding is between 1 month and 1 year (inclusive), 50% of the dividend income shall be calculated as taxable income for the time being; and if the duration of shareholding lasts more than one year, the dividend income shall be exempted of individual income tax for the time being. All the above-mentioned dividend income shall be taxed at a uniformly applicable tax rate of 20%.

For securities investment funds that are shareholders of listed companies, the computation and payment of dividend income tax shall be made in accordance with the aforementioned *Notice on Issues Relating to the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies* (Finance and Taxation [2015] No.101) and *Notice on Issues Relating to the Implementation of the Differentiated Individual Income Tax Policy on Dividends Obtained from Listed Companies* (Finance and Taxation [2012] No.85).

Resident enterprise shareholders (including institutional investors) shall pay income tax on their cash dividends on their own accord pursuant to relevant taxation requirements of the government.

For Qualified Foreign Institutional Investors (QFII), listed companies are required to withhold and pay enterprise income tax at the rate of 10% pursuant to the requirements of the *Notice of the State Administration of Taxation Concerning the Relevant Issues on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonuses and Interests by PRC Resident Enterprises to QFIIs* (SAT [2009] No.47). Where the dividend paid to a QFII is entitled to relevant treatments under a tax agreement (arrangement), the QFII may apply to the competent tax authority for such treatment. The latter shall implement the treatment as stipulated in the tax agreement after verifying the validity of the application. Where a tax refund is involved, the QFII shall promptly submit a tax refund application to the competent tax authority on its own accord after receiving the dividend.

H Shareholders

For overseas residents that are individual shareholders of listed companies, the *Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045* (SAT [2011] No.348) provides that, dividends received by such overseas residents for their personal holding of shares issued by domestic non-foreign-invested enterprises in Hong Kong shall be subject to the payment of individual income tax under the "interest, dividend and bonus income" item, and that such individual income tax shall be withheld and paid by the withholding agents according to relevant laws at a tax rate of 10%. Where overseas residents that are individual holders of shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between their countries of residence and China or the tax arrangements made between the Chinese mainland and Hong Kong (Macau) SAR, the tax rate for dividends under the relevant tax agreements and tax arrangements is 10% in general. For the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, upon payment of dividends, generally withhold individual income tax at the rate of 10%, without the need to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for residents of countries that have signed lower than 10% tax rate agreements, the withholding agents may file on their behalf applications for the relevant agreed preferential tax treatments, under which circumstances the over-withheld tax amounts will be refunded upon approval by the tax authorities; (2) for residents of countries that have signed higher than 10% but lower than 20% tax rate agreements, the withholding agents shall withhold individual income tax at the agreed tax rate effective at the time of dividend payment, without the need to file an application; and (3) for residents of countries without tax agreements or under other situations, the withholding agents shall withhold individual income tax at 20% upon payment of dividends.

For non-resident enterprises that are shareholders of listed companies, the *Notice of the State Administration of Taxation on the Issues Concerning Withholding Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shareholders that Are Nonresident Overseas Enterprises* (SAT [2008] No.897) provides that, a PRC resident enterprise, when paying dividends for 2008 and subsequent years to H shareholders that are non-resident overseas enterprises, shall withhold and pay the enterprise income tax at a uniform rate of 10%.

Tax matters in relation to the Shanghai-Hong Kong Stock Connect shall be handled according to the provisions of the *Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Taxation Policies in Connection with the Pilot Shanghai-Hong Kong Stock Connect Mechanism* (Finance and Taxation [2014] No. 81).

Preference shareholders

Individual income tax payment in relation to dividends obtained by individual preference shareholders shall be performed according to related national taxation regulations.

Resident enterprises (including institutional investors) shall perform their tax payment obligations on their own accord according to related national taxation regulations.

Shareholders of the Bank shall be taxed and/or access tax credits, reliefs and exemptions in accordance with the aforementioned regulations.

4.31 Environment-Related Performance and Policies

The Bank strictly abided by the requirements of applicable laws and regulations such as the *Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and the Guidelines on Green Credit*. The 2018-2020 Development Plan of CITIC Bank makes it clear that during the plan period, the Bank will boost support to the green economy and enhance whole-process management of environmental and social risks.

During the reporting period, the Bank defined its credit policy for green financing the *2019 Credit Policy of CITIC Bank*. In practice, the Bank kept tracking of the industrial policies and regulatory requirements relating to green finance, and seized opportunities in the field of green finance in a timely manner. Under the premise of compliance with the Bank's industrial stratification and customer policies, controllable risks and sustainable business, the Bank actively supported loans granted to green fields such as environmental improvement, response to climate change and efficient utilization of resources, increased the proportion of green credit, and transformed towards a green customer structure step by step.

During the reporting period, the Bank implemented differentiated policies on enterprises engaged in the "high energy consumption, heavy pollution and overcapacity" industries, and strictly controlled loan extension. Continuing support was rendered to premium leading enterprises that were characterized by advanced technology, high efficiency, good potentials and ready market. With regard to other enterprises, the Bank developed customer-specific plans and protected its own rights and interests through methods including maintaining current credit facilities, intensifying mitigation, gradually reducing loans or making an exit. Meanwhile, the Bank strengthened the management of enterprises with significant environment and safety risks. For enterprises violating relevant laws and regulations on environmental protection, violating laws on production safety, failing to rectify obsolete production capacity, or failing to rectify incompliant occupational disease prevention and control measures, the Bank actively safeguarded its rights and interests and urged the enterprises to perform their social responsibilities by pushing ahead rectification, loan reduction and exit, recovery and disposal.

4.32 Events Relating to Bankruptcy and/or Restructuring

During the reporting period, the Bank did not incur any event relating to bankruptcy and/or restructuring.

4.33 Major Risks

For details on major risks of the Bank, please refer to Chapter 3 "Management Discussion and Analysis" of this report.

4.34 Changes to Accounting Policies and Accounting Estimates or Correction of Significant Accounting Errors

The Ministry of Finance promulgated the revised *Accounting Standards for Business Enterprises No. 21 – Leases* in 2018 and the revised *Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets and Accounting Standards for Business Enterprises No. 12 – Debt Restructurings* in 2019. The Group prepared the 2019 financial statements based on the above-mentioned standards and notices. The amendments to the above standards had no material impact on the Group and the Bank. Please refer to Note 3 (c) to the financial statements contained in this report for details.

Please refer to the relevant announcements the Bank disclosed on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 30 January 2019 and the date of disclosure of this report for relevant information.

4.35 Performance of Social Responsibility for Poverty Alleviation

4.35.1 Initiatives on Financial Services for Precision Poverty Alleviation

The Bank implemented policy requirements such as the *Guidance of the Central Committee of the Communist Party of China and the State Council on Winning the Three-Year Fight Against Poverty*, and followed the work arrangements of PBOC, CBIRC and other regulators. It regarded financial services for precision poverty alleviation as an important political and social responsibility and a historic mission and made innovations to its products and service models. As such, the Bank continued to improve the accuracy and effectiveness of its efforts relating to financial services for precision poverty alleviation. In particular, the Bank kept improving the management structure for precision poverty alleviation with financial services by setting up the financial services for poverty alleviation leading group and a working group. The branches established the three-tier management structure based on the Head Office management framework, featuring personal engagement by the management members, joint promotion by front, middle and back-office departments, and priority implementation by business units. The Bank kept consolidating the foundation for such precision poverty alleviation, and gradually harvested the fruits of its poverty alleviation efforts.

During the reporting period, under the guidance of the *Work Plan of CITIC Bank for Poverty Alleviation with Financial Services during the 13th Five-Year Plan Period*, the Bank strengthened credit support for financial services for poverty alleviation, improved the reporting mechanism for statistics of precision poverty alleviation with financial services and continued to do a good job in data statistics and reporting. It also strengthened incentives and guidance for poverty alleviation with financial services, and included the poverty alleviation performance in the assessment of branches. Besides, the Bank actively carried out poverty alleviation in impoverished areas, selected managerial personnel to help local people in villages, and carried out financial knowledge publicity through various channels and ways.

As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB7.518 billion, an increase of 9.07% over the previous year. In terms of borrowers, personal loans for precision poverty alleviation recorded RMB2.160 billion, down 28.92% from the previous year; and institutional loans for precision poverty alleviation stood at RMB5.358 billion, up 39.02% from the previous year. The Bank's balance of agriculture-related loans stood at RMB304.836 billion.

4.35.2 Other Precision Poverty Alleviation Initiatives

During the reporting period, the Bank continued its fixed-point poverty alleviation work in Xietongmen County of Tibet Autonomous Region, Zhangjiashan village in Dangchang County of Gansu Province and some areas of Xinjiang-Uyghur Autonomous Region. In addition, the Bank dispatched its managerial personnel to fixed-point poverty alleviation areas to help the local poverty population shake off poverty and support local poverty alleviation tasks. During the reporting period, the Bank dispatched a total of 67 full-time and part-time managerial persons to 39 impoverished villages for poverty alleviation, and carried out 150 poverty-alleviation projects. In 2019, the Bank donated RMB24.2687 million for poverty alleviation purpose, up by 25.81% over last year, with focuses on four major directions: agricultural development for poverty alleviation, infrastructure construction for poverty alleviation, education for poverty alleviation and pro bono efforts for poverty alleviation, benefiting more than 40,000 poor people.

The precision poverty alleviation results of the Bank during the reporting period are as follows:

Unit: RMB10,000

Item	Amount and Progress
Overview	
Invested funds	2,427
Number of impoverished people with established poverty files and cards benefited	6,099
Inputs by major category	
Poverty alleviation through industrial development	
Incl.: Types of poverty alleviation projects through industrial development	Poverty alleviation through development of agricultural and forestry industries, poverty alleviation through e-commerce, poverty alleviation through technological means
Number of poverty alleviation projects through industrial development	26
Investment in poverty alleviation projects through industrial development	641
Number of impoverished people with established poverty files and cards benefited	2,705
Education for poverty alleviation	
Incl.: Financial aid to poor students	505
Number of impoverished students aided	10,290
Health for poverty alleviation	
Incl.: Input in medical and health resources in poverty-stricken areas	408
Social development for poverty alleviation	
Incl.: Investments in fixed-point poverty alleviation	900
Poverty alleviation public welfare fund	731

Awards

1. The Bank was recognized as "Tribute to 30 Persons over 30 Years – Sponsor" by China Foundation for Poverty Alleviation in March 2019.
2. The Bank was the only joint-stock bank among the ten banks granted the achievement award for helping win the "Three Critical Battles" in the "2018 Top 100 Socially Responsible Institutions in China's Banking Industry" by China Banking Association in March 2019.
3. The Bank won the "2019 11th Excellent Competitiveness – Thumbs-up for Poverty Alleviation by Financial Institutions" award by China Business Journal in December 2019.
4. The Bank's fixed-point poverty alleviation project in Xietongmen County of Tibet was granted the "2019 Excellent Case of Poverty Alleviation by Financial Institutions" by 21st Century Annual Financial Summit of Asia in December 2019.

4.35.3 Work Plan on Financial Services for Precision Poverty Alleviation

In 2020, the Bank will actively implement the Central Government's essential concept and regulatory policy requirements on poverty alleviation with financial services, and carry out financial services for poverty alleviation under the guidance of relevant policies. In line with its business characteristics and risk preference, the Bank will improve the accuracy and effectiveness of its efforts for poverty alleviation with financial services.

The Bank will boost the credit business for poverty alleviation with financial services. By precisely targeting the financing needs of key projects and key areas of poverty alleviation, it will support the impoverished areas's standardized relocation poverty alleviation project, ecological environment reconstruction, infrastructure construction, transportation facilities construction, upgrading and reconstruction of agricultural networks of water conservancy facilities, as well as basic public service projects involving education, medical treatment and health care. In addition, the Bank will support the development of market-promising featured industries in poverty-stricken areas, increase the credit extension to leading enterprises with outstanding achievements in these areas, actively promote supply chain finance under the premise of controllable risks, and support the east and west poverty-alleviation coordination industry projects and the industrial transfer and undertaking in poverty-stricken areas. In addition, the Bank will provide registered impoverished households with lending support relating to their production, business start-up and education by precisely targeting the financial needs of such households in employment and education. Taking the credit level and repayment capacity as the main reference criteria and comprehensively considering the borrowers' own conditions, loan purpose and risk compensation mechanism, the Bank will grant small-amount loans to those impoverished people with established poverty files and cards who have jobs, entrepreneurial potential or skills. Besides, the Bank will prevent risks in poverty alleviation with financial services, strengthen project selection and risk assessment, grant small-amount loans for poverty alleviation purpose in accordance with laws and regulations, prevent excessive financing in the name of poverty alleviation or financing in violation of laws and regulations. Meanwhile, the Bank will strengthen management to avoid "focusing on loan granting but not loan management".

The Bank will enhance the building of a system for poverty alleviation with financial services. It will strengthen credit support and prioritize the approval of poverty alleviation loans or projects when other conditions are equal. Meanwhile, the Bank will improve its performance appraisal and assessment system. Branches will be assessed for their institutional development, organizational promotion, business development and risk control relating to financial services for precision poverty alleviation, with points appropriately added in comprehensive performance evaluation. Furthermore, the Bank will improve its data statistics and submission, improve the data collection process and ensure accurate, timely and overall submission of poverty alleviation data.

The Bank will organize financial education and publicity activities in poverty-stricken areas. Ongoing publicity campaigns on financial consumer rights protection will be launched both at physical outlets and via electronic channels. Employees from branches and sub-branches will be actively organized to access communities, businesses and shopping districts for dissemination of financial knowledge. All these will help people in poverty-stricken areas improve their financial knowledge and develop their awareness of financial risk prevention. The Bank will also continue to follow up on the latest developments in financial services for precision poverty alleviation and tap into the outlet primary for representative case studies, advanced models and outstanding deeds in precision poverty alleviation with financial services and promote them via various publicity channels.

4.36 Business Reexamination

For details of the Group's business profile, major risks and uncertainties in 2019 and outlook for 2020, please refer to Chapter 3 "Management Discussion and Analysis" of this report.

4.37 The Audit Committee

The Audit and Related Party Transactions Control Committee under the Board of Directors of the Bank has reviewed and approved the 2019 annual results of the Bank and the Group and their audited 2019 annual financial statements prepared in accordance with the International Financial Reporting Standards.

4.38 Relations with Employees, Suppliers and Customers

For the relations between the Group and its employees, customers and shareholders, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates – Human Resources Management", Chapter 3 "Management Discussion and Analysis – Consumer Rights Protection and Service Quality Management" and Chapter 9 "Corporate Governance Report – Management of Investor Relations" of this report.

4.39 Other Significant Events

The Bank disclosed all significant events occurred during the reporting period that shall be disclosed as per Article 80 of the PRC Securities Law and Article 30 of the *Administrative Measures for Information Disclosure of Listed Companies* in the form of interim announcements on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

Chapter 5 Changes in Ordinary Shares and Information on Ordinary Shareholders

5.1 Changes in Ordinary Shares

5.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2018		Changes (+, -)					31 December 2019	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	**2,147,469,539**	**4.39**						**2,147,469,539**	**4.39**
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,147,469,539	4.39						2,147,469,539	4.39
3. Shares held by other domestic investors									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
Shares not subject to restrictions on sale:	**46,787,327,034**	**95.61**				**+14,533**	**+14,533**	**46,787,341,567**	**95.61**
1. Renminbi denominated ordinary shares	31,905,164,057	65.20				+14,533	+14,533	31,905,178,590	65.20
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	30.41						14,882,162,977	30.41
4. Others									
Total shares	**48,934,796,573**	**100.00**				**+14,533**	**+14,533**	**48,934,811,106**	**100.00**

5.1.2 Shares Subject to Restrictions on Sale

Publicly tradeable time of shares subject to restrictions on sale

Unit: share

Time	Incremental publicly tradeable shares upon expiry of lock-up period	Number of shares subject to restrictions on sale	Number of shares not subject to restrictions on sale
20 January 2021	2,147,469,539	2,147,469,539	46,787,341,567

Shareholdings of the top 10 shareholders subject to restrictions on sale and the conditions of restrictions on sale

Unit: share

Name of shareholder subject to restrictions on sale	Number of shares subject to restrictions on sale held	Publicly tradeable time	Incremental publicly tradeable shares	Conditions of restrictions on sale
China National Tobacco Corporation	2,147,469,539	20 January 2021	–	On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco. China Tobacco undertook to the former CBRC that it would not transfer its subscribed equity in CITIC Bank within 5 years as of the date of completion of the delivery (Refer to the Report of China CITIC Bank Corporation Limited on Its Private Offering of A Shares published on the official websites of SSE (www.sse.com.cn) and the HKEXnews (www.hkexnews.hk) for details thereof.)

5.2 Issuance and Listing of Securities

5.2.1 Equity Financing

During the reporting period, the Bank did not issue any new shares.

5.2.2 Issuance of Bonds

Pursuant to the Reply regarding the Issuance of Undated Capital Bonds by China CITIC Bank Corporation Limited from CBIRC (CBIRC Reply [2019] No.964) issued by CBIRC and the Affirmative Decision of Administrative License from the People's Bank of China (PBOC Decision [2019] No. 225) issued by PBOC, the Bank issued the China CITIC Bank Corporation Limited 2019 Undated Capital Bonds (the "Bonds") in the national inter-bank bond market in December 2019. The Bonds were book-built on 9 December 2019 and the issuance was completed on 11 December 2019. The size of issuance of the Bonds is RMB40 billion. The coupon rate is 4.20% during the first 5 years and will be reset every 5 years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. The proceeds from the Bonds were used to replenish additional tier-1 capital of the Bank in accordance with applicable laws and approvals of the regulatory authorities.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

5.2.3 Issuance of Convertible Bonds

Please refer to "Chapter 7 Convertible Corporate Bonds" of the Report for the issuance of convertible bonds and the conversion of convertible bonds of the Bank during the reporting period.

5.2.4 Internal Employee Shares

There were no internal employee shares issued by the Bank.

5.3 Information on Ordinary Shareholders

5.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 163,940 accounts of ordinary shareholders in total, including 134,506 accounts of A shareholders and 29,434 accounts of registered H shareholders, and no preference shareholders with restored voting right.

As at the close of the month preceding the disclosure date of this report (i.e., 29 February 2020), the Bank recorded 169,403 accounts of ordinary shareholders in total, including 140,084 accounts of A shareholders and 29,319 accounts of registered H shareholders, and no preference shareholders with restored voting right.

5.3.2 Information on the Top 10 Shareholders (as at the end of the reporting period)

Unit: Share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sale	Increase or decrease in shareholding during the reporting period	Shares pledged or frozen
1	CITIC Corporation Limited	State-owned legal person	A share, H share	31,988,728,773	65.37	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	H share	11,555,133,994	23.61	0	+10,842,555	Unknown
3	China National Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	2,147,469,539	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,114,065,677	2.28	0	0	0
5	Central Huijin Asset Management Ltd.	State-owned legal person	A share	272,838,300	0.56	0	0	0
6	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	174,206,980	0.36	0	+69,792,269	0
7	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	0
8	Mao Tian Capital Limited	State-owned legal person	A share	31,034,400	0.06	0	0	0
9	China Poly Group Corporation Limited	State-owned legal person	A share	27,216,400	0.06	0	0	0
10	Agricultural Bank of China Limited – Invesco Great Wall Shanghai and Shenzhen 300 Index Enhanced Securities Investment Fund	Other	A share	24,611,500	0.05	0	+24,611,500	0

Notes: (1) Except for CITIC Corporation Limited and Hong Kong Securities Clearing Company Nominees Limited, the shareholdings of A-share holders and H-share holders in the table above were calculated based on the Bank's share registers respectively maintained with China Securities Depository and Clearing Corporation Limited Shanghai Branch and Computershare Hong Kong Investor Services Limited.

(2) Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. The total number of shares held by Hong Kong Securities Clearing Company Nominees Limited is the aggregate number of H shares it held in its capacity as nominee on behalf of all institutional (except for CITIC Corporation Limited) and individual investors registered with the company as at the end of the reporting period. Hong Kong Securities Clearing Company Limited is an institution that is designated by others to hold shares, including the Shanghai Stock Connect shares held by Hong Kong and overseas investors, on behalf of others in its capacity as nominee shareholder.

(3) CITIC Corporation Limited is a wholly-owned subsidiary of CITIC Limited. CITIC Corporation Limited confirmed that as at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) together owned 32,284,227,773 shares of the Bank, accounting for 65.97% of the Bank's total shares, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares of the Bank, accounting for 65.37% of the Bank's total shares, including 28,938,928,294 A shares and 3,049,800,479 H shares.

(4) Summit Idea Limited confirmed that, as at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares. Summit Idea Limited is a wholly-owned affiliate of Xinhu Zhongbao. In addition to the afore-mentioned stake, Hong Kong Xinhu Investment Co., Ltd., a wholly-owned subsidiary of Xinhu Zhongbao, also owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares.

(5) Note on connected relations or concerted actions of the above ordinary shareholders: Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. According to the Report for the Third Quarter of 2019 of China Construction Bank Corporation, as at 30 September 2019, Central Huijin Investment Ltd. and its wholly-owned subsidiary Central Huijin Asset Management Ltd. together owned 57.31% equity of China Construction Bank Corporation. Except for these, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

5.3.3 Information on the Top 10 Shareholders Not Subject to Restrictions on Sale (as at the end of the reporting period)

Unit: Share

No.	Name of shareholder	Number of shares not subject to restrictions on sale held	Class and number of shares held: Class	Number
1	CITIC Corporation Limited	31,988,728,773	Renminbi denominated ordinary shares	28,938,928,294
			Overseas-listed foreign shares	3,049,800,479
2	Hong Kong Securities Clearing Company Nominees Limited	11,555,133,994	Overseas-listed foreign shares	11,555,133,994
3	China Securities Finance Corporation Limited	1,114,065,677	Renminbi denominated ordinary shares	1,114,065,677
4	Central Huijin Asset Management Ltd.	272,838,300	Renminbi denominated ordinary shares	272,838,300
5	Hong Kong Securities Clearing Company Limited	174,206,980	Renminbi denominated ordinary shares	174,206,980
6	China Construction Bank Corporation	168,599,268	Overseas-listed foreign shares	168,599,268
7	Mao Tian Capital Limited	31,034,400	Renminbi denominated ordinary shares	31,034,400
8	China Poly Group Corporation Limited	27,216,400	Renminbi denominated ordinary shares	27,216,400
9	Agricultural Bank of China Limited – Invesco Great Wall Shanghai and Shenzhen 300 Index Enhanced Securities Investment Fund	24,611,500	Renminbi denominated ordinary shares	24,611,500
10	E Fund – ICBC – FOTIC – FOTIC Steady Wealth FOF Single Fund Trust	22,558,742	Renminbi denominated ordinary shares	22,558,742

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

The table below sets out the interests and short positions in the shares of the Bank held by substantial shareholders and other persons (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) as recorded in the register that the Bank maintained pursuant to Section 336 of the Securities and Futures Ordinance and as far as the Bank was aware as at the end of the reporting period.

Name	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued share capital of the same class (%)	Shareholding percentage of the total issued share capital (%)
CITIC Corporation Limited	H share	Beneficiary owner	3,049,800,479(L)	20.49	6.23
	A share		28,938,928,294(L)	84.98	59.14
	H share	Interest of controlled corporations	10,313,000(L)	0.07	0.02
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		28,938,928,294(L)	84.98	59.14
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		28,938,928,294(L)	84.98	59.14
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		28,938,928,294(L)	84.98	59.14
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		28,938,928,294(L)	84.98	59.14
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000(L)	15.40	4.685
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000(L)	15.40	4.685
Hong Kong Xinhu Investment Co., Ltd.	H share	Beneficiary owner	153,686,000(L)	1.03	0.314
		Interest of controlled corporations	2,292,579,000(L)	15.40	4.685
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Huang Wei	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Li Ping	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
EasternGate SPC	H share	Investment manager	875,468,670(L)	5.88	1.79

(L) — long position, (S) — short position

Notes: (1) The above disclosure is made mainly on the basis of the information released on SEHK (www.hkexnews.hk).

(2) According to Section 336 of the Securities and Futures Ordinance, if multiple conditions are met, shareholders of the Bank shall submit the disclosure form. When there is a change to shares of the Bank held by shareholders, unless multiple conditions are met, related shareholders need not to notify the change to the Company and SEHK. Therefore, the latest shares held by shareholders at the Company may differ from those already submitted to SEHK.

Except for the afore-mentioned disclosure, as at the end of the reporting period, the Bank didn't know that any person (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) held any interests and short positions in the shares of the Bank or underlying shares that shall be recorded in the register that the Bank maintained pursuant to Section 336 of the Securities and Futures Ordinance.

5.5 Controlling Shareholder and De Facto Controller of the Bank

As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank; CITIC Limited was the single direct controlling shareholder of CITIC Corporation Limited; CITIC Group was the controlling shareholder of CITIC Limited, and the de facto controller of the Bank.

CITIC Group was founded in 1979 by Mr. Rong Yiren with the support of Mr. Deng Xiaoping. Since its inception, CITIC Group has been a pilot unit for national economic reform and an important window for China's opening to the outside world. With fruitful explorations and innovation in many areas, CITIC Group has built itself a robust image and reputation both domestic and abroad. At present, CITIC Group has developed into a large state-owned multinational conglomerate with both financial and non-financial businesses. Its financial business covers a full range of services including banking, securities, trust, insurance, fund and asset management; and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and information technology, with clear overall strength and great momentum of growth.

In December 2011, with approval from the State Council, and in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., CITIC Group contributed the majority of its existing net operating assets to establish CITIC Corporation Limited (named "CITIC Limited" when first established). In particular, CITIC Group held 99.9% equity interest in CITIC Limited, and Beijing CITIC Enterprise Management Co., Ltd. held 0.1%. CITIC Group as a whole was restructured into a wholly state-owned company. To complete the afore-mentioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Corporation Limited as capital contribution. As a result, CITIC Corporation Limited held 28,938,929,004 shares in the Bank both directly and indirectly, accounting for 61.85% of the Bank's total share capital. The above-mentioned share transfer was approved by the State Council, the MOF, former CBRC, the CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with approvals from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch. On 20 December 2018, the Ministry of Finance (MOF) and the Ministry of Human Resources and Social Security (MOHRSS) issued a notice to implement the relevant arrangements of the Notice of the State Council on Printing and Distributing the Implementation Plan on the Transfer of Some State-owned Capital to Replenish the Social Security Fund, transferring MOF's 10% equity in CITIC Group to the National Council for Social Security Fund in a lump sum.

In October 2013, BBVA transferred to CITIC Limited 2,386,153,679 H shares it held in the Bank, accounting for approximately 5.10% of the total share capital of the Bank, after which CITIC Limited increased its shareholding in the Bank to 66.95%.

In August 2014, CITIC Group injected its main business assets entirely into its Hong Kong listed subsidiary CITIC Pacific and renamed it CITIC Limited. The former CITIC Limited was renamed CITIC Corporation Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited.

In September 2014, CITIC Corporation Limited purchased an additional 81,910,800 H shares of the Bank via agreement transfer, after which, CITIC Corporation Limited held a total of 31,406,992,773 A shares and H shares of the Bank, accounting for approximately 67.13% of the Bank's total share capital.

In January 2016, the Bank completed its private offering of 2,147,469,539 A shares to China Tobacco, upon which time the Bank's total share capital increased to 48,934,796,573 shares and the proportion of shares owned by CITIC Corporation Limited went down to 64.18%.

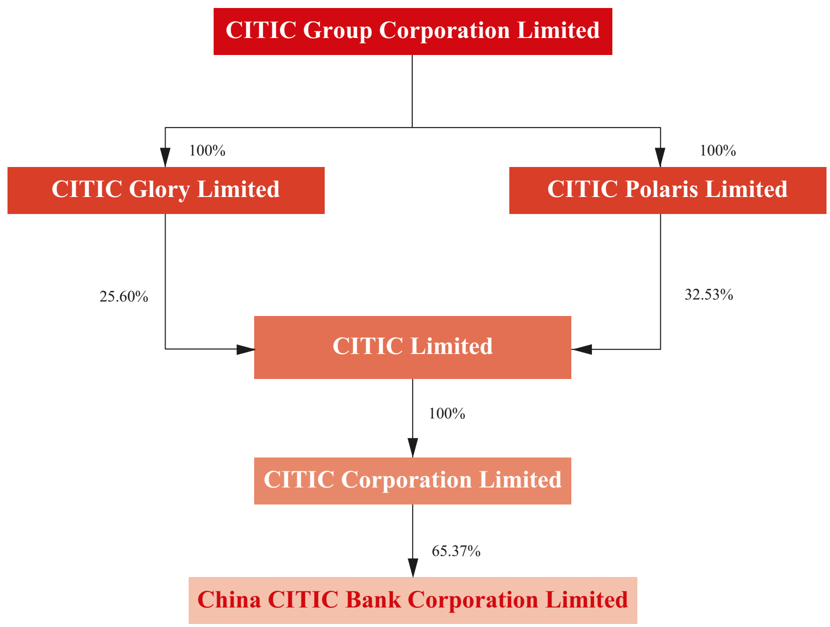
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital. As at 21 January 2017, the implementation of the additional shareholding plan was completed. CITIC Limited and its subsidiaries (including CITIC Corporation Limited) hold 32,284,227,773 shares of the Bank in aggregate, of which it holds 28,938,928,294 A shares and 3,345,299,479 H shares, representing 65.97% of the total issued shares of the Bank.

As at the end of the reporting period, CITIC Group's legal representative was Mr. Chang Zhenming. Its business scope covered: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment businesses in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and industrial investment; asset management; capital operation; project tendering, exploration, design, construction, supervision, contracting and subcontracting and consulting services; external allocation of required workers to overseas projects compatible with its strength, scale and business performance; import and export; and information services business (only restricted to internet information services which excludes information search and inquiry service, information community service, instant information interaction service and information protection and processing service). (The entity shall discretionally choose its business projects and conduct its business activities according to the law; conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law; and may not engage in business activities of the projects that are prohibited or restricted by the municipal industrial policy).

As at the end of the reporting period, CITIC Corporation Limited had a registered capital of RMB139 billion; and Mr. Chang Zhenming was its legal representative. Its business scope covered: 1. Investment in and management of the financial sector, including investment in and management of domestic and overseas financial enterprises and related industries such as banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; 2. Investment in and management of the non-financial sector, including (1) energy, transportation and other infrastructure; (2) mining, forestry and other resource development and the raw materials industry; (3) machine manufacturing; (4) real estate development; (5) the information industry: information infrastructure, basic telecommunications and value-added telecom services; (6) commercial and trade services and other industries; environment protection; pharmaceuticals, biological engineering and new materials; aviation, transportation, warehousing, hotels and tourism; domestic and international trade, import and export, commerce; education, publication, media, culture and sports; consulting services; 3. Grant of shareholder loans to its domestic and overseas subsidiaries; capital operation; asset management; domestic and overseas project design, construction, contracting and sub-contracting, and labor export; and other business items approved by competent authorities. (The entity changed from a domestic enterprise into a foreign-invested enterprise on 22 July 2014, and therefore needs to conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law.)

As at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) held 32,284,227,773 shares of the Bank in aggregate, representing 65.97% of the total issued shares of the Bank, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares in the Bank, accounting for 65.37% of the total share capital of the Bank, including 28,938,928,294 A shares and 3,049,800,479 H shares.

As at the end of the reporting period, the ownership structure between the Bank, its controlling shareholder and its de facto controller was as follows[34]:



In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the controlling shareholder, de facto controller, persons acting in concert and ultimate beneficiary of CITIC Corporation Limited are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Person acting in concert	Ultimate beneficiary
CITIC Corporation Limited	CITIC Limited	CITIC Group Corporation Limited	Fortune Class Investments Limited, Metal Link Limited	CITIC Group Corporation Limited

34 CITIC Glory Limited (formerly translated as "CITIC Shengrong Co., Ltd") and CITIC Polaris Co., Ltd. (formerly translated as "CITIC Shengxing Co,. Ltd") are both wholly-owned subsidiaries of CITIC Group. CITIC Corporation Limited directly owned 65.37% of the total share capital of the Bank, in addition to which, CITIC Limited also held part of the Bank's equity via its subsidiaries and CITIC Corporation Limited's subsidiaries.

Equity interests in other major domestic and overseas listed companies held or controlled by CITIC Limited and CITIC Corporation Limited (as at the end of the reporting period)

Name of shareholder	Name of listed company	Place of listing	Stock code	Shareholding percentage (%)
CITIC Corporation Limited 16.50%	CITIC Securities Co., Ltd.	Shanghai Hong Kong	600030.SH 6030.HK	16.50%
CITIC Corporation Limited 60.49% CITIC Investment Holdings Limited 4.52% CITIC Automobile Limited 2.26%	CITIC Heavy Industries Co., Ltd.	Shanghai	601608.SH	67.27%
CITIC Offshore Helicopter Limited 38.63%	CITIC Offshore Helicopter Corporation Limited	Shenzhen	000099.SZ	38.63%
CITIC Corporation Limited 62.70% CITIC Investment Holdings Limited 10.80%	CITIC Press Group	Shenzhen	300788.SZ	73.50%
Keentech Group Ltd 49.57% CITIC Australia Pty Limited 9.55% Extra Yield International Ltd. 0.38%	CITIC Resources Holdings Limited	Hong Kong	1205.HK	59.50%
Highkeen Resources Limited 34.39% Apexhill Investments Limited 9.07%	CITIC Dameng Mining Industries Ltd	Hong Kong	1091.HK	43.46%
Richtone Enterprises Inc. 3.69% Ease Action Investments Corp. 33.93% Silver Log Holdings Ltd 16.70% Cuixin Holdings Corporation Limited 3.87%	CITIC Telecom International	Hong Kong	1883.HK	58.19%
CITIC Pacific (China) Investment Limited 4.26% Hubei Xinye Steel Co., Ltd. 4.53% CITIC Pacific Special Steel Investment Co., Ltd. 75.05%	CITIC Pacific Special Steel Group Co., Ltd.	Shenzhen	000708.SZ	83.85%
CITIC Industrial Investment Group Co., Ltd. 0.82% CITIC Agriculture Limited 16.54% Shenzhen Xin Nong Investment Center (Limited Partnership) 3.20%	Longping High-tech Co., Ltd.	Shenzhen	000998.SZ	20.56%
CKM (Cayman) Company Limited 56.36%	CITIC Envirotech Ltd. (1)	Singapore	CEE.SG	56.36%
Numerous subsidiaries of CITIC Pacific Limited jointly 56.81%	Dah Chong Hong Holdings Limited (1)	Hong Kong	01828.HK	56.81%
Complete Noble Investments Limited 10%	China Overseas Land & Investment Limited	Hong Kong	00688.HK	10%
Easy Flow Investments Limited 25.91%	Frontier Services Group Limited	Hong Kong	00500.HK	25.91%
CITIC Metal Africa Investments Limited 26.31%	Ivanhoe Mines Ltd.	Toronto	IVN.TSX IVPAF.OTCQX	26.31%
CITIC Resources Holdings Limited 9.68% CITIC Australia Pty Limited 1.38% Bestbuy Overseas Co Ltd 7.99%	Alumina Limited	Sydney	AWC.ASX AWC.OTC	19.05%

Note: (1) CITIC Envirotech Ltd. and Dah Chong Hong Holdings Limited completed its privatization and delisted on 23 January 2020 and 10 January 2020 respectively.

(2) Due to rounding, the total shareholding percentage of CITIC Limited and CITIC Corporation Limited over CITIC Pacific Special Steel Group Co,.Ltd. is slightly different from the sum of the shareholding percentage of CITIC Pacific Special Steel Group Co,.Ltd's direct-holding companies.

Equity interests in other major domestic and overseas listed companies held or controlled by CITIC Group (as at the end of the reporting period)

Name of shareholder	Name of listed company	Place of listing	Stock code	Shareholding percentage (%)
CITIC Polaris Limited 32.53% CITIC Glory Limited 25.60%	CITIC Limited	Hong Kong	267.HK	58.13%

Note: The shareholding percentages listed in the table were those of the direct shareholders.

5.6 Information on Other Substantial Shareholders

As per the relevant provisions of the *Provisional Measures for the Management of Equity in Commercial Banks*, in addition to CITIC Corporation Limited, the substantial shareholders of the Bank also include Summit Idea Limited, China Tobacco and Poly Group. During the reporting period, among members of the Board of Directors of the Bank, one non-executive director was recommended by Summit Idea Limited and another non-executive director was recommended by China Tobacco; among members of its Board of Supervisors, one shareholder representative supervisor was recommended by Poly Group.

Summit Idea Limited is a company incorporated in Hong Kong. As at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominee Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares, with 1,123,363,710 H shares of the Bank pledged as collateral as at the end of the reporting period. Summit Idea Limited is a wholly-owned affiliate of Xinhu Zhongbao. In addition to the afore-mentioned stake, Hong Kong Xinhu Investment Co., Ltd, a wholly owned subsidiary of Xinhu Zhongbao, owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at the end of June 2019, the company recorded registered capital of RMB8.599 billion, total assets of RMB146.482 billion and net assets of RMB34.738 billion. The company is an industry leader in terms of the size, strength and quality of its real estate business. At the time of the report, Xinhu Zhongbao has developed more than 50 real estate projects in over 30 cities across the country with aggregate development area reaching over 30 million square meters. In terms of financial business, Xinhu Zhongbao has formed a financial investment pattern that covers securities, banking, insurance and futures, etc. It has made forward-looking investment in high-tech companies engaged in block chain, big data, artificial intelligence and cloud computing, and is an important shareholder of Wind, Bangsun Technology, Hyperchain and other financial technology companies which owned leading technology and market shares.

China Tobacco is a mega state-owned enterprise established with approval from the State Council. As at the end of the reporting period, China Tobacco held 2,147,469,539 A shares of the Bank, accounting for 4.39% of the Bank's total shares, with no pledge of the Bank's equity as collateral. China Tobacco is an enterprise owned by the whole people with registered capital of RMB57 billion. Its legal representative is Zhang Jianmin. The main business scope of China Tobacco includes the production, operation and import and export of tobacco monopoly products, as well as management and operation of state-owned assets.

Poly Group is a large-scale central state-owned enterprise administered by SASAC. As at the end of the reporting period, Poly Group held 27,216,400 A shares of the Bank, accounting for 0.056% of the Bank's total shares, with no pledge of the Bank's equity as collateral. Poly Group was incorporated in 1992 with approval of the State Council and the Central Military Commission. Its legal representative is Zhang Zhengao. With registered capital of RMB2 billion, Poly Group is mainly engaged in the following core businesses: trade in military and civilian goods trade, real estate development, light industry research and development and related engineering services, arts and crafts business and services (both raw materials and products), culture and arts business, and production and sale of explosives for civilian uses and related services. Poly Group has established a development pattern focusing on international trade, real estate development, culture and arts business, production and sale of explosives for civilian uses, development and application of light industry materials and products, and development and utilization of raw materials for arts and crafts. Its business spreads over 100 countries around the world and more than 100 cities in China.

In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the above substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Person acting in concert	Ultimate beneficiary
Summit Idea Limited	Total Partner Global Limited	Huang Wei	Hong Kong Xinhu Investment Co., Ltd.	Huang Wei
China Tobacco	State Council	State Council	None	State Council
Poly Group	SASAC	SASAC	None	SASAC

5.7 Other Legal-Person Shareholders Holding 10% or More of the Bank's Shares

As at the end of the reporting period, there were no other legal-person shareholders that held 10% or more of the Bank's shares except CITIC Corporation Limited.

Chapter 6 Preference Shares

6.1 Issuance and Listing of Preference Shares in the Recent Three Years

After obtaining the Reply of *China Banking Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares and Amendment to the Articles of Association* (CBRC Reply [2015] No.540) from former CBRC and the *Reply of China Securities Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares* (CSRC License [2016] No.1971), the Bank made the non-public offering of 350 million onshore preference shares at RMB100.00 par value per share on 21 October 2016. The shares were issued at par at 3.80% initial coupon rate and with no maturity period. These 350 million preference shares, referred to as "CITIC Excellent 1" with the preference share stock code of 360025, were listed on Shanghai Stock Exchange's Comprehensive Business Platform on 21 November 2016.

On 13 December 2018, the 8th meeting of the 5th session of the Board of Directors of the Bank deliberated and adopted *the Proposal on Plan for Non-Public Offering of Preference Shares* and other relevant proposals, endorsing the Bank's offering of up to 400 million preference shares (inclusive) at RMB100.00 par value per share. *The Proposal on Plan for Non-Public Offering of Preference Shares, the Proposal to the General Meeting on Authorizing the Board of Directors to Handle Relevant Matters Relating to the Non-Public Offering of Preference Shares,* among others were considered and adopted by the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019 convened on 30 January 2019. The Bank plans to make a non-public offering of no more than RMB40 billion (inclusive) preference shares in China. The authorization period from the extraordinary general meeting and the shareholders class meetings to the Board of Directors for handling relevant matters in relation to the non-public offering of preference shares (the "Preference Shares") is 12 months from the date of the extraordinary general meeting's and the shareholders class meetings' consideration and approval of *the Proposal to the General Meeting on Authorizing the Board of Directors to Handle Relevant Matters Relating to the Non-public Offering of Preference Shares*, which expires on 29 January 2020.

Given the fact that related work of the Preference Shares is still in progress, the Board of Directors considered and approved *the Proposal to the General Meeting on the Extension of the Authorization Period to the Board of Directors for Handling Relevant Matters in Relation to the Non-public Offering of Preference Shares* at the 19th meeting of the 5th session of the Board of Directors held by the Bank on 18 December 2019 and agreed to extend the authorization period to 29 January 2021. This proposal is subject to consideration and approval of general meeting and the shareholders class meetings of the Bank. Apart from the extension of the authorization period from the general meeting and the shareholders class meetings to the Board of Directors to handle relevant matters relating to the issuance of Preference Shares, other authorization matters approved by the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019 of the Bank by poll remain unchanged.

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information thereof.

6.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period and the close of the month preceding the disclosure date of this report (i.e., 29 February 2020), the Bank recorded 31 accounts of preference shareholders (CITIC Excellent 1, preference share stock code: 360025). Information on the top 10 preference shareholders at the end of the reporting period is set out in the table below.

Unit: shares

No.	Name of shareholder (full name)	Nature of shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen	
								Status	Quantity
1	China Mobile Communications Group Corporation limited	State – owned legal person	–	43,860,000	12.53	Onshore preference shares	–	–	–
2	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	Other	–	38,430,000	10.98	Onshore preference shares	–	–	–
3	China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai	Other	–	38,400,000	10.97	Onshore preference shares	–	–	–
4	China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
5	China Ping An Life Insurance Company Limited – Dividend – Dividends for Individual Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
6	BOCOM International Trust Co., Ltd. – Jin Sheng Tian Li No. 1 Single Fund Trust	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
7	Puyin Ansheng Fund Company – SPDB – Shanghai Pudong Development Bank Shanghai Branch	Other	–	21,930,000	6.27	Onshore preference shares	–	–	–
8	Xing Quan Rui Zhong Total Assets – Ping An Bank – Ping An Bank Co., Ltd.	Other	–	15,350,000	4.39	Onshore preference shares	–	–	–
9	Chuang Jin He Xin Fund – China Merchants Bank – China Merchants Bank Co., Ltd.	Other	–	10,960,000	3.13	Onshore preference shares	–	–	–
10	Bank of Communications Schroder Fund – Minsheng Bank – China Minsheng Bank Co., Ltd.	Other	–	8,770,000	2.51	Onshore preference shares	–	–	–
	China Resources Shenzhen Investment Trust Co., Ltd. – No. 1 Single Investment Trust Fund	Other	–	8,770,000	2.51	Onshore preference shares	–	–	–

Notes: (1) The shareholdings of the preference shareholders were calculated based on the information contained in the preference-share register of the Bank.

(2) Note on related relations or concerted actions of the above preference shareholders: Based on publicly available information, the Bank came to the preliminary conclusion that there was related relation between China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai and China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai and between China Ping An Life Insurance Co., Ltd. – Universal – Individual Universal Insurance and China Ping An Life Insurance Company Limited – Dividend – Dividends for Individual Insurance. Except for these, the Bank was not aware of any related relation or related action between the above-mentioned preference shareholders or between the above-mentioned preference shareholders and the top 10 ordinary shareholders.

(3) "Shareholding percentage" means the number of preference shares held by preference shareholders accounting for in the total issued preference shares.

6.3 Dividend Distribution for Preference Shares

6.3.1 Policy on profit distribution of preference shares

The Bank's preference shares shall apply a nominal dividend yield subject to phase-specific adjustment, i.e., every five years as of the payment date of the subscribed shares constitutes an interest-bearing period and each period applies the same nominal dividend yield. The nominal dividend yield for the first interest-bearing period was set at 3.80% by way of book finding.

Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest start date being the payment date of the subscribed shares (i.e., 26 October 2016). Dividends on the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend payout in the current year will not be accumulated to the next interest-bearing year. Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of surplus profits together with the ordinary shareholders.

6.3.2 Payment of dividends on preference shares during the reporting period

The Bank adopted the 2019 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 27 August 2019, approving that the preference share dividends accrued between 26 October 2018 and 25 October 2019 would be paid on 28 October 2019. On 28 October 2019 the Bank paid dividends on the preference shares to all the shareholders of "CITIC Excellent 1" (preference share stock code: 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch at the close of trading on the SSE on 25 October 2019. The Bank paid out a preference dividend of RMB3.80 per share (before tax), which was calculated at a nominal dividend rate of 3.80%, with total dividend payment for the 350 million preference shares amounting to RMB1.330 billion (before tax).

6.3.3 Amounts and ratios of dividend distribution for preference shares in the recent three years

Unit: RMB million

Item	2019	2018	2017
Distribution amount	**1,330**	1,330	1,330
Distribution ratio	**100%**	100%	100%

Notes: (1) Distribution ratio is the ratio of the total amount of dividends paid out to the dividends payable for the corresponding year.
(2) The interest start date shall be the payment date of the subscribed shares, i.e., 26 October 2016.

6.4 Redemption or Conversion of Preference Shares

No preference share of the Bank was redeemed or converted during the reporting period.

6.5 Restoration of Voting Right of Preference Shares

During the reporting period, the Bank did not have matters that restored the voting right of preference shares.

6.6 Accounting Policies for Preference Shares and the Underlying Reasons

According to the relevant accounting standards promulgated by the Ministry of Finance (MOF), namely, *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments,* and *Distinguishing between Financial Liabilities and Equity Instruments and the Relevant Accounting Treatments*, and pursuant to the principal terms of the preference share issuance, the above-mentioned preference shares are eligible to be classified as equity instrument. Hence, the Bank accounted for the preference shares as an equity instrument.

Chapter 7 Convertible Corporate Bonds

7.1 Issuance and Listing of Convertible Corporate Bonds

The plan on the public issuance of convertible bonds and its associated proposals were adopted via voting by poll at the Bank's 1st Extraordinary General Meeting of 2017, 1st A Shareholders Class Meeting of 2017, and 1st H Shareholders Class Meeting of 2017 convened on 7 February 2017. The Bank proposed to make a public issuance of up to RMB40 billion A-share convertible corporate bonds.

The former CBRC issued *the Reply of the China Banking Regulatory Commission on Relevant Matters relating to CITIC Bank's Public Issuance of A-Share Convertible Corporate Bonds* (CBRC Reply [2017] No.193) in July 2017, giving the Bank the consent to issue up to RMB40 billion A-share convertible corporate bonds. In December 2018, the Public Offering Review Committee of the CSRC reviewed and approved the Bank's application for issuance of up to RMB40 billion A-share convertible corporate bonds. In December 2018, the CSRC produced *the Reply on Approving China CITIC Bank Corporation Limited's Public Issuance of Convertible Corporate Bonds* (CSRC Permit [2018] No. 2168), permitting the Bank's public issuance of convertible corporate bonds up to RMB40 billion. On 4 March 2019, the Bank completed the issuance of 40 million board lots of A-share convertible corporate bonds (hereinafter referred to as "A-share convertible bonds" for short), with each issued at the face value of RMB100 at par, raising total proceeds of RMB40 billion, which came to net proceeds of RMB39.9156402 billion after deduction of the issuance costs. These A-share convertible bonds, referred to as "CITIC Convertible Bonds" with the code of 113021, were listed on the Shanghai Stock Exchange for trading on 19 March 2019 and the closing price of that day was RMB107.9868 per bond.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

7.2 Convertible Bond Holders and Guarantors during the Reporting Period

Unit: RMB Yuan

Convertible bond holders at the period end (accounts)		10,983
Guarantors of convertible bonds of the Bank		None
Name of top ten convertible bond holders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held (%)**
CITIC Corporation Limited	26,388,000,000	65.97
China National Tobacco Corporation	2,521,129,000	6.30
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China (ICBC))	1,031,293,000	2.58
CITIC Securities – "Xinxinxiangrong (鑫鑫向榮) B" RMB wealth management product in the PSBC (Postal Savings Bank of China) Wealth Series – Xinsheng No.1 single asset management plan of CITIC Securities	917,178,000	2.29
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	594,984,000	1.49
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	435,681,000	1.09
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	415,372,000	1.04
Orient Securities Co., Ltd.	283,808,000	0.71
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	280,740,000	0.70
CMW Asset Management – PSBC – Postal Savings Bank of China Co., Ltd.	190,807,000	0.48

7.3 Changes in A-share Convertible Bonds during the Reporting Period

For the A-share convertible bonds issued by the Bank, the commencement date of the conversion period will be 11 September 2019, i.e., the first trading day after six months from the completion of the issuance; and the ending date will be 3 March 2025, i.e., the bond maturity date. As at the end of reporting period, a total of RMB105,000 CITIC Convertible Bonds had been converted to A-share ordinary shares of the Bank, making the total number of converted shares reaching 14,533, which accounted for 0.00002970% of the total ordinary shares issued by the Bank before the conversion of CITIC Convertible Bonds.

7.4 Previous Adjustments of Conversion Prices

On 19 July 2019 (the date of record), the Bank distributed dividends on ordinary shares (A share) for the year 2018. According to the related articles of *the Prospectus on the Public Issuance of the A Share Convertible Corporate Bonds of China CITIC Bank Corporation Limited* as well as other applicable laws and regulations, after the issuance of A-share convertible bonds of the Bank, the Bank will accordingly adjust the conversion price of the A-share convertible bonds in case that changes take place to the Bank's equity due to the distribution of cash dividends. Therefore, after this profit distribution, the initial conversion price of CITIC Convertible Bonds was adjusted from RMB7.45 per share to RMB7.22 per share since 22 July 2019 (the ex-dividend date). Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan

Date of adjustment	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment
22 July 2019	7.22	15 July 2019	*China Securities Journal*, *Shanghai Securities News*, *Securities Times*, website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2018
The latest conversion price at the end of the reporting period				7.22

7.5 The Bank's Outstanding Debts, Creditworthiness and Availability of Cash for Repayment of Debts in Future Years

In accordance with the applicable provisions in *the Administrative Measures for the Issuance of Securities by Listed Companies*, and *the Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the Bank entrusted the credit rating institution Dagong Global Credit Rating Co., Ltd. (hereinafter referred to as "Dagong Global" for short) to track and rate the credit standing of the A-share convertible bonds the Bank issued in March 2019. Dagong Global issued *the Tracking Rating Report on China CITIC Bank Corporation Limited as the Issuer and its Publicly Offered A Share Convertible Corporate Bonds (2019)* which stated the rating results that: maintaining the Bank's issuer long-term credit rating at AAA with a stable outlook and the credit rating of CITIC Convertible Bonds at AAA. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the basically steady liabilities, and the robust credit position. In future years, income from normal operations, cash inflows, and realization of current assets will constitute the principal cash sources for the Bank's debt service.

Chapter 8 Directors, Supervisors, Senior Management Members, Staff and Affiliates

8.1 Basic Information on Directors, Supervisors and Senior Management Members of the Bank

8.1.1 Board of Directors

Name	Position	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Li Qingping	Chairperson, Executive Director	Female	Oct. 1962	Mar. 2014 – May 2021	0	0	–	Yes
Cao Guoqiang	Non-executive Director	Male	Dec. 1964	Sep. 2018 – May 2021	0	0	–	Yes
Fang Heying	Executive Director, President & Chief Financial Officer	Male	Jun. 1966	Sep. 2018 – May 2021	0	0	223.18	No
Guo Danghuai	Executive Director & Vice President	Male	May 1964	Sep. 2019 – May 2021	0	0	164.40	No
Huang Fang	Non-executive Director	Female	May 1973	Nov. 2016 – May 2021	0	0	–	Yes
Wan Liming	Non-executive Director	Male	May 1966	Jun. 2016 – May 2021	0	0	–	Yes
He Cao	Independent Non-Executive Director	Male	Sep. 1955	Jun. 2016 – May 2021	0	0	30.00	No
Chen Lihua	Independent Non-Executive Director	Female	Sep. 1962	Jun. 2016 – May 2021	0	0	30.00	No
Qian Jun	Independent Non-Executive Director	Male	Jul. 1970	Dec. 2016 – May 2021	0	0	30.00	No
Yan Lap Kei Isaac	Independent Non-Executive Director	Male	Oct. 1960	Sep. 2018 – May 2021	0	0	30.00	No

Notes: (1) The starting time of the terms of office of the re-elected/re-engaged directors, supervisors and senior management members is the time of their respective initial appointment/engagement. The same applies below.

(2) The final remunerations of those directors, supervisors and senior management members of the Bank are still undergoing confirmation, of which the remaining amounts shall be disclosed upon completion of the confirmation process. The same applies below.

(3) A non-executive director (not including independent non-executive director) receives no allowance from the Bank.

8.1.2 Board of Supervisors

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties)
Liu Cheng	Chairman of the Board of Supervisors, Employee Representative Supervisor	Male	Dec. 1967	Apr. 2018 – May 2021	0	0	167.79	No
Deng Changqing	Shareholder Representative Supervisor	Male	Apr. 1973	May 2018 – May 2021	0	0	–	Yes
Wang Xiuhong	External Supervisor	Female	Oct. 1946	Jan. 2014 – Jan. 2020	0	0	30.00	No
Jia Xiangsen	External Supervisor	Male	Apr. 1955	May 2015 – May 2021	0	0	30.00	No
Zheng Wei	External Supervisor	Male	Mar. 1974	May 2015 – May 2021	0	0	30.00	No
Li Gang	Employee Representative Supervisor	Male	Mar. 1969	Aug. 2019 – May 2021	0	0	165.44	No
Chen Panwu	Employee Representative Supervisor	Male	Jan. 1964	Sep. 2017 – May 2021	0	0	218.20	No
Zeng Yufang	Employee Representative Supervisor	Female	Dec. 1970	Sep. 2017 – May 2021	0	0	128.31	No

Note: In January 2020, Ms. Wang Xiuhong resigned as external supervisor of the Bank, and chairperson of the Nomination Committee of the Board of Supervisors of the Bank after completing her six years' term as external supervisor of the Bank. In order to ensure the Board of Supervisors of the Bank meets the requirement that the proportion of external supervisors is no less than one third of the number of supervisors, Ms. Wang Xiuhong's resignation will take effect after the new external supervisor elected by the general meeting of the Bank takes office. During this period, Ms. Wang Xiuhong will continue to perform her duties in accordance with relevant laws, regulations and the *Articles of Association* of the Bank.

8.1.3 Senior Management Members

Name	Title	Gender	Date of birth	Term of office	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties) during performing duties
Fang Heying	Executive Director, President & Chief Financial Officer	Male	Jun. 1966	Since Nov. 2014	0	0	223.18	No
Guo Danghuai	Executive Director & Vice President	Male	May 1964	Since Nov. 2014	0	0	164.40	No
Yang Yu	Vice President	Male	Dec. 1962	Since Dec. 2015	0	0	162.71	No
Hu Gang	Vice President & Chief Risk Officer	Male	Mar. 1967	Since May 2017	0	0	164.19	No
Xie Zhibin	Vice President	Male	May 1969	Since Feb. 2019	0	0	130.27	No
Xiao Huan	Secretary of the Committee for Disciplinary Inspection	Male	Jul. 1972	Since Dec. 2019	0	0	0	No
Lu Wei	Business Director	Male	Oct. 1971	Since Jan. 2017	0	0	211.10	No
Lu Jingen	Business Director	Male	Jun. 1969	Since Aug. 2018	0	0	203.91	No
Lü Tiangui	Business Director	Male	Oct. 1972	Since Aug. 2018	0	0	205.28	No
Zhang Qing	Secretary to the Board of Directors	Female	Aug. 1968	Since Jul. 2019	0	0	191.60	No
Liu Honghua	Business Director	Male	May 1964	Since Aug. 2019	0	0	195.60	No

Note: Mr. Xiao Huan assumed the position of Secretary of the Committee for Disciplinary Inspection of the Bank in December 2019, and started to perform duties in January 2020.

8.1.4 Non-incumbent Directors, Supervisors and Senior Management Members

Name	Position prior to departure from office	Gender	Date of birth	Departure time	Year-beginning shareholding	Year-end shareholding	Pre-tax payable remuneration earned from the Bank during the reporting period (RMB10 thousand)	Whether receiving remuneration from the Bank's related party (parties) during the term of office with the Bank
Cheng Pusheng	Employee Representative Supervisor	Male	Feb. 1968	May 2019	0	0	147.87	No
Mo Yue	Secretary of the Committee for Disciplinary Inspection	Male	Oct. 1959	Oct. 2019	0	0	126.06	No
Yao Ming	Chief Risk Officer	Male	Sep. 1960	Nov. 2019	0	0	217.22	No
Sun Deshun	Executive Director, President	Male	Nov. 1958	Feb. 2019	0	0	140.48	No

As at the end of the reporting period, none of the directors, supervisors and senior management members, whether incumbent or non-incumbent during the reporting period, was subject to penalties imposed by the securities regulatory authorities in the past three years.

8.2 Resumes of Directors, Supervisors and Senior Management Members

8.2.1 Directors

Ms. Li Qingping

Chinese Nationality

Chairperson and executive director of the Bank. Ms. Li is concurrently executive director and deputy general manager of CITIC Group, executive director, deputy general manager and executive committee member of CITIC Limited, executive director, deputy general manager of CITIC Corporation Limited, chairperson of CIFH, vice chairperson of CITIC Prudential Life Insurance Co., Ltd. (formerly Pa Hsin-cheng Life Insurance Co., Ltd.), and chairperson of CITIC aiBank Corporation Limited. Ms. Li has been chairperson and executive director of the Bank since 20 July 2016. Prior to that, Ms. Li was executive director and president of the Bank from July 2014 to July 2016; secretary of Party committee of the Bank since May 2014; non-executive director of the Bank between March and May 2014; Party committee member of CITIC Group and concurrently deputy general manager of CITIC Corporation Limited since September 2013; and deputy general manager and executive committee member of CITIC Limited since September 2014. She has been an executive director of CITIC Group, CITIC Corporation Limited and CITIC Limited since December 2015; deputy general manager of CITIC Group since December 2017; chairperson of CITIC aiBank Corporation Limited since August 2017; chairperson of CIFH since September 2015; and vice chairperson of Pa Hsin-cheng Life Insurance Co., Ltd. (now CITIC Prudential Life Insurance Co., Ltd.) since March 2014. Earlier, she was head of retail banking and concurrently general manager of personal finance department of Agricultural Bank of China (ABC) from May 2009 to September 2013; head of retail banking and concurrently general manager of personal banking and personal credit departments of ABC from January 2009 to May 2009; and secretary of Party committee and president of ABC Guangxi Branch from January 2007 to December 2008. Prior to these, she was a cadre, deputy division chief, division chief, deputy general manager and general manager of the International Business Department at the ABC Head Office from August 1984 to January 2007. Ms. Li is a senior economist with over 30 years' professional experience in the Chinese banking industry. She graduated from Nankai University majoring in international finance with a master's degree in economics.

Mr. Cao Guoqiang

Chinese Nationality

Non-executive director of the Bank. Mr. Cao joined the Board of Directors of the Bank in September 2018. He has served as chief financial officer of CITIC Limited since April 2018. Mr. Cao was general manager of the Finance Department of CITIC Group between March 2018 and August 2019, and chairman of the Board of Supervisors of China CITIC Bank Corporation Limited between December 2015 and March 2018, and held a temporary position at CITIC Group as the general manager of the Finance Department between April 2015 and March 2018. In addition, Mr. Cao has been a director of China CITIC Bank Corporation Limited since September 2018, a director of CITIC Metal Co., Ltd. since April 2018, a director of CITIC Modern Agriculture Investment Co., Ltd. since December 2017, a director of CITIC Myanmar (Hong Kong) Holdings Limited since October 2016, and a director of CITIC Heye Investment Co., Ltd. since December 2013. Mr. Cao was a director of CITIC Holdings Limited between December 2015 and April 2018, a director of CIFH and CNCBI between October 2009 and March 2016, and a director of China Investment and Finance Limited (now renamed "CNCBI Investment") between December 2005 and January 2014. He was general manager of the Budget and Finance Department of the Head Office, assistant president and vice president of the Bank from April 2005 to October 2015. Earlier, between December 1992 and April 2005, Mr. Cao served as assistant general manager of the planning and treasury department at the Head Office of China Merchants Bank (CMB), a director of Shenzhen Speed International Investment Co., Ltd., a director and deputy general manager (presiding) of CMB Pawn Co., Ltd., general manager of the planning and treasury unit at CMB's Shenzhen administrative department, and deputy general manager and general manager of the planning and treasury department at the Head Office of CMB. From July 1988 to June 1992, Mr. Cao worked in the planning and treasury division of the PBOC Shaanxi branch as a senior staff member and deputy section chief. Mr. Cao graduated from Hunan College of Finance and Economics with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics. He is a senior economist with over 30 years' experience in the Chinese banking industry.

Mr. Fang Heying

Chinese Nationality

Executive director, President and Chief Financial Officer of the Bank. Mr. Fang joined the Board of Directors of the Bank in September 2018. He has been President of the Bank since March 2019, deputy secretary of the Party committee of the Bank since February 2019, Chief Financial Officer since January 2017 and Party committee member of the Bank since August 2014. Mr. Fang was vice president of the Bank between November 2014 and March 2019. At the moment, Mr. Fang is also concurrently a director of CITIC Bank International Limited and CITIC International Financial Holdings Corporation Limited. Prior to that, Mr. Fang was a director of CNCB (Hong Kong) Investment Co., Ltd. between January 2014 and May 2019, and headed the Bank's financial markets business from May 2013 to January 2015. He was concurrently secretary of the Party committee and president of the Bank's Hangzhou Branch between May and September 2014 and served as secretary of the Party committee and president of the Bank's Suzhou Branch from March 2007 to May 2013. From September 2003 to March 2007, he successively held various positions at the Bank's Hangzhou Branch, including Party committee member, assistant president, and vice president. From December 1996 to September 2003, he worked at the Bank's Hangzhou Branch, successively holding the positions of section chief and deputy general manager of the credit department, general manager and secretary of the Party committee of Fuyang sub-branch, deputy general manager of the international settlement department, deputy general manager of the retail business department, and general manager of the business department. From July to December 1996, he was deputy director of Hangzhou Chengdong Office of Shanghai Pudong Development Bank. From December 1992 to July 1996, he worked at the credit department of the experimental urban credit cooperative of Zhejiang Banking School, successively holding the positions of credit clerk, manager, and assistant general manager. From July 1991 to December 1992, he was a teacher at Zhejiang Banking School. Mr. Fang graduated from Peking University with a master's degree in business administration. He is a senior economist, and has over 20 years of experience in the Chinese banking industry.

Mr. Guo Danghuai

Chinese Nationality

Executive director and Vice President of the Bank. Mr. Guo joined the Board of Directors of the Bank in September 2019. He has served as Party committee member of the Bank since August 2014 and Vice President of the Bank since November 2014. He is concurrently a director of CITIC International Financial Holdings Corporation Limited, CNCB (Hong Kong) Investment Co., Ltd., CNCB (Hong Kong) Capital Limited and CITIC aiBank Corporation Limited. Previously, Mr. Guo was a director of China UnionPay Co., Ltd. between July 2015 and December 2019; chief audit officer of the Bank from May 2013 to August 2014; secretary of Party committee and general manager of the Business Department at the Bank's Head Office from March 2010 to May 2013; secretary of Party committee and president of the Bank's Tianjin Branch from July 2006 to March 2010; general manager of the International Business Department of the Bank from January 2005 to July 2006; and assistant president of the Bank between August 2001 and January 2005. From November 2000 to August 2001, he was designated by CITIC Group to lead the project on CITIC Guo'an Group's acquisition of Shantou Commercial Bank and to be the chairman. He served as secretary of Party committee and president of the Bank's Shenyang Branch from September 1999 to November 2000. Between August 1986 and September 1999, he worked for the Bank, successively holding the positions of staff member, deputy section chief and section chief, and also served as section chief, deputy general manager and general manager of the business department at Capital Mansion, assistant president and vice president of the Bank's Beijing Branch, and deputy general manager of the Business Department at the Bank's Head Office. Mr. Guo is a senior economist and a graduate of Peking University with a master's degree in business administration. He has over 30 years of experience in the Chinese banking industry.

Ms. Huang Fang

Chinese Nationality

Non-executive director of the Bank. Ms. Huang joined the Board of Directors of the Bank in November 2016. She has served as a director of Xinhu Zhongbao Co., Ltd. since November 2015, a director of Zhejiang Xinhu Group Co., Ltd. since August 2013, and vice president and chief financial officer of Zhejiang Xinhu Group Co., Ltd. since July 2011. Previously, Ms. Huang was vice president and chief financial officer of Xinhu Holdings Limited from October 2010 to July 2011. From August 1992 to September 2010, she worked for Agricultural Bank of China (ABC) Zhejiang Provincial Branch, holding various positions, including deputy general manager of the international business department of the branch, deputy general manager (presiding) of Hangzhou Baojiao sub-branch, as well as deputy general manager of the corporate banking unit as well as deputy general manager (presiding) and general manager of the personal finance unit at the business department of the branch. Ms. Huang has a wealth of practical financial experience, outstanding leadership and capabilities in organizing and coordinating. She graduated from Zhejiang University with a bachelor of law degree. She holds an intermediate economist title.

Mr. Wan Liming

Chinese Nationality

Non-executive director of the Bank. Mr. Wan joined the Board of Directors of the Bank in June 2016. He has served as a deputy general manager (presiding) of China Shuangwei Investment Co., Ltd. since December 2018. Earlier, he was director general of the Financial Management and Supervision Division (Audit Division) of the State Tobacco Monopoly Administration between November 2011 and November 2018. He was a deputy director general of the Financial Management and Supervision Division (Audit Division) of the State Tobacco Monopoly Administration between December 2009 and November 2011, and chief accountant of Yunnan Tobacco Monopoly Bureau (company) from February 2007 to December 2009. Between August 1996 and February 2007, he served multiple positions at Yunnan Tobacco Monopoly Administration (Company), including deputy chief and chief of the finance division, chief of the financial management and audit division, deputy chief accountant and chief of the financial management division. From May 1996 to August 1996, he was a cadre at Yunnan Tobacco Travel Company. From July 1988 to May 1996, he worked as a lecturer and deputy teaching & research director at Yunnan Finance and Trade College. Mr. Wan has a wealth of financial management experience. He graduated from the Department of Industrial Economics at Renmin University of China with a bachelor's degree in economic management of capital construction.

Mr. He Cao

Chinese Nationality

Independent non-executive director of the Bank. Mr. He joined the Board of Directors of the Bank in June 2016. Previously, he was chairman of China Jinmao Group (formerly Franshion Properties (China) Co., Ltd.), and chairman of Jinmao Investment and Jinmao (China) Investment Holding Co., Ltd. Mr. He joined Sinochem Corporation in 1979 and held various senior positions in financial management, business management and investment enterprises within the group. In 2002, he was appointed assistant to the president of Sinochem Corporation and regarded as a vice president of Sinochem from 2013 onward. Mr. He was president, vice chairman and chairman of China Jinmao (Group) Co., Ltd. since 2002, during which time he successfully ran the Shanghai Jinmao Tower, and presided over the investment, acquisition and construction of multiple luxury five-star hotels and properties in tier-one cities and high-end tourist resorts, developing Jinmao Group into China's well-known high-end commercial real estate developer and operator. Mr. He became chairman, executive director and CEO of Franshion Properties (China) Co., Ltd. in January 2009. Under his chairmanship and promotion, Franshion Properties (China) Co., Ltd. and Jinmao Group completed a strategic reorganization between 2009 and 2010, and the spin-off of Jinmao Tower Property and Franshion Properties' eight high-end hotels in 2014, which was successfully listed on The Stock Exchange of Hong Kong Limited as a trust structure of Jinmao Investment and Jinmao Holding. Mr. He once served as co-chair of the "China Hotel Owner Alliance" under the China Hotel Industry Association, and vice president of the All-China Real Estate Chamber of Commerce. In addition, Mr. He was engaged as the executive director of Shanghai Federation of Enterprises in Shanghai, vice chairman of Housing Policy and Market Regulation Research Committee of China Urban Science Research Council, and member of the Professional Committee on Green Building and Energy Conservation under the China Urban Science Research Society. He was a delegate to the 12th and 13th session of the Shanghai Municipal People's Congress and was named Shanghai's model worker in 2007 and one of the economic figures in Shanghai Pudong's 20-year development and opening-up in 2012. Mr. He graduated from Jilin College for Finance and Economics with a junior diploma in 1979, from Renmin University of China with a degree in economics in 1986, and from the Graduate School of Political Economics in Jilin University in 1987. Mr. He obtained his MBA from the China Europe International Business School in 2004. He has a senior economist title.

Ms. Chen Lihua

Chinese Nationality

Independent non-executive director of the Bank. Ms. Chen joined the Board of Directors of the Bank in June 2016. She is a professor and Ph.D. tutor of the Management Science and Information System Department of Guanghua School of Management at Peking University. At the same time, Ms. Chen is executive director of the Center for Research of Circulation Economy and Management, director of Liantai Supply Chain Research and Development Center, and deputy dean of the China National Institute for Research of Development Strategy on Hi-Tech Industry Development Zone of Peking University. In addition, she is vice president of the China Society of Logistics, director of the Supply Chain and Logistics Committee of the China Management Science Society, deputy director of the Industry Committee of the China Information Economics Society, an expert with special contribution to the logistics industry over the 40 years of China's reform and opening-up, a core expert in the National Strategy Research Group for Supply Chain Innovation and Application, and an expert on national high-tech zones engaged by the Ministry of Science and Technology. Ms. Chen has been an independent director of CWT International limited, a company listed in Hong Kong since August 2019. From 1999 to 2001, Ms. Chen was general manager of Beijing Jun Shi Century Information Technology Co., Ltd., a company mainly engaged in the development, production and sales of banking devices. Ms. Chen served as an independent director of Tiger, a Singaporean listed company from 2005 to 2006. She received a Bachelor of Science degree and a Master of Science degree from Jilin University of Technology in 1983 and 1988 respectively. She got her doctoral degree in management science from the City University of Hong Kong in 1998 and did her post-doctoral studies at the Institute of Mathematics and Systems Science of the Chinese Academy of Sciences between 1999 and 2000. Ms. Chen mainly researches and teaches the following areas: management science, supply chain finance, logistics finance, supply chain and logistics management, logistics park management, circulation economy and management, service operation management, hi-tech park and industrial management, technological innovation and management, venture capital investment and entrepreneurial management. In her fields of research, Ms. Chen has carried out extensive cooperation and exchanges with relevant international organizations, including Stanford University, George Mason University, Roma University and universities in Hong Kong. In her capacity as leader or research backbone, Ms. Chen has participated in numerous international cooperation projects and key research and development projects sponsored by the National Natural Science Foundation, ministries and provincial governments in China. She also sits on the review and assessment panels of multiple domestic and foreign academic journals. She has published numerous papers such as Supply Chain Coordination Based on the Trade Credit and Option Contract under Capital Constraint on prestigious international publications such as the European Journal of Operational Research and Proceeding of Workshop on Internet and Network Economics. Ms. Chen took the lead to complete many major research reports including Research of the Supply Chain Financial Model for the Traditional Chinese Medicine Industry, the Research of the Supply Chain Financial Model for Agricultural Industry, etc.

Mr. Qian Jun

Chinese Nationality

Independent non-executive director of the Bank. Mr. Qian joined the Board of Directors of the Bank in December 2016. Mr. Qian has been professor of finance and executive dean of Fanhai International School of Finance at Fudan University since July 2017. He was deputy director of the China Academy of Financial Research and co-director of the EMBA/DBA/EE programs at Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University between July 2014 and June 2017. He was an associate editor of the Review of Finance from December 2013 to December 2016. He was professor of finance and a Ph.D. tutor at Shanghai Advanced Institute of Finance (SAIF) and co-director of the EMBA program of Shanghai Jiao Tong University from July 2013 to June 2017. Mr. Qian served as a special-term professor of finance at Shanghai Jiaotong University from May 2009 to June 2013. He taught finance at the Carroll School of Management of Boston College between July 2000 and June 2013, being an assistant professor from July 2000 to February 2006 and an associate professor of finance with tenure between March 2006 and June 2013. He worked as a Haub family researcher from September 2011 to June 2013. Since April 2011, Mr. Qian has been an associate editor of the Frontiers of Economics in China. He was a special-term professor of finance at the School of Economics and Management of Tsinghua University between July 2007 and June 2009, a visiting associate professor at MIT's Sloan School of Management between July 2007 and June 2008, and a research fellow at the Wharton School of the University of Pennsylvania since September 2002. Mr. Qian did his undergraduate program at the Department of International Economics of Fudan University between 1988 and 1991 and obtained his B.S. degree in economics from the University of Iowa in May 1993 and his Ph.D. from the University of Pennsylvania in May 2000. Mr. Qian's research interests span many topics of theoretical and empirical corporate finance and financial institutions, including commercial and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. His research papers have been published on top academic journals including the American Economic Review, Journal of Finance, Journal of Financial Economics, Journal of Financial and Quantitative Analysis and Journal of International Economics. He also contributed chapters of several books on financial system development, including China's Great Economic Transformation, Emerging Giants: China and India in the World Economy, China's Emerging Financial Markets: Challenges and Opportunities, and Global Perspectives of Rule of Law.

Yan Lap Kei Isaac

Chinese (Hong Kong) Nationality

Independent non-executive director of the Bank. Mr. Yan joined the Board of Directors of the Bank in September 2018. Earlier, he joined Arthur Young & Co. (UK) in 1984, joined KPMG Certified Public Accountants (UK) in 1987, and served as assistant manager at KPMG Certified Public Accountants (Hong Kong) since 1988, as manager since 1989, as senior manager since 1993 and was promoted partner in 1998. He served as a partner at KPMG Huazhen Certified Public Accountants in Beijing (special general partnership) between 2000 and 2017, and established the quality control and risk management department of KPMG (China). Mr. Yan graduated from Liverpool University with an (accounting) Bachelor of Arts degree, and has the chartered accountant qualification in England and Wales as well as the Hong Kong Institute of Certified Public Accountants fellowship. Mr. Yan has abundant experience in aspects such as accounting, audit and risk management, and used to participate many times in the public listing and annual audit of state-owned large and medium-sized enterprises in industries including finance, telecommunications, electricity and manufacturing. He enjoys a wealth of practical experience in merger, acquisition, restructuring and public listing projects in the Chinese mainland and Hong Kong capital markets. Mr. Yan used to serve as a consulting expert of the former China Banking Regulatory Commission, an accounting standards consulting expert of the PRC Ministry of Finance, a consultant to the Accounting Department of the China Securities Regulatory Commission (full-time for a year), a member of the Delisting Committee of the Shenzhen Stock Exchange, and a member of the China Technical Professionals Group, Professional Standards Supervisory Committee and Risk Management Committee of the Hong Kong Institute of Certified Public Accountants. He also participated in the review of the first draft of the audit and accounting standards issued by the PRC Ministry of Finance and the English translation work of the audit standards. He was a visiting professor at Beijing National Accounting Institute and Shanghai National Accounting Institute.

8.2.2 Supervisors

Mr. Liu Cheng

Chinese Nationality

Chairman of the Board of Supervisors of the Bank. Mr. Liu has served as chairman of the Board of Supervisors, employee representative supervisor and Party committee member of the Bank since April 2018. Mr. Liu has been a supervisor of Asian Financial Cooperation Association (AFCA) since October 2019. Mr. Liu worked at the General Office of the State Council from April 2008 to April 2018, successively serving as a secretary at the division chief level, a secretary at the deputy director general level and a secretary at the director general level. He was an official at the division chief level, a first Secretary, a researcher and deputy division chief of Division One of the Second Secretary Bureau at the General Office of the State Council from December 2004 to April 2008; assistant researcher and researcher of the Finance Division under the Finance Department of the National Development and Reform Commission from July 2003 to December 2004; and principal staff member at the Finance Department, and principal staff member and assistant researcher at the Economic Policy Coordination Department of the State Planning Commission (now National Development and Reform Commission) from March 1995 to July 2003. Mr. Liu graduated from the Finance Department of the Central College of Finance and Economics (now Central University of Finance and Economics) in July 1989 with a bachelor's degree in economics. He stayed on to teach at the college until March 1995, during which period he obtained a master's degree in economics. Mr. Liu obtained his doctor of economics degree in currency and banking from the School of Finance at Renmin University of China in July 2001.

Mr. Deng Changqing

Chinese Nationality

Shareholder representative supervisor of the Bank. He has served as deputy chief accountant of China Poly Group Corporation Limited since January 2019, chairman of the Board of Supervisors of China Huaxin Post and Telecom Technologies Co., Ltd. since November 2019 and as vice president and Party committee member of Yunnan City Construction Investment Co. Ltd. since January 2020. Mr. Deng was chief accountant of Poly Technologies Inc. between November 2014 and January 2019, and concurrently chief accountant of Poly International Holdings Co., Ltd. from August 2016 to January 2019; deputy director and director of the finance department of China Poly Group Corporation (currently China Poly Group Corporation Limited) between February 2009 and November 2014; deputy general manager of the budget and finance department of Poly Technologies Inc. between March 2007 and February 2009; a manager of the finance department, a secretary at the General Office and a senior manager of the finance department of China Poly Group Corporation between May 2000 and March 2007. He graduated from the Beijing Graduate School of China University of Mining and Technology, majoring in economics & management.

Ms. Wang Xiuhong

Chinese Nationality

External supervisor of the Bank. She is honorary president of China Women Judges Society. She was president of China Women Judges Society and vice president of China Judges Society from December 2003 to January 2015. Ms. Wang served as a member (vice minister level) of the judicial committee of the Supreme People's Court of PRC from October 2004 to December 2010; head of the administrative tribunal and a member of the judicial committee of the Supreme People's Court of PRC from May 2003 to September 2004; a deputy director of the Political Department of the Supreme People's Court of PRC from February 1997 to April 2003; executive vice president and deputy secretary of Party committee of the High People's court of Jilin Province and vice president of China Women Judges Association from February 1994 to January 1997. Prior to that, Ms. Wang successively served at Siping District Timber Company in Jilin, Intermediate People's court of Siping District, Liaoyuan Intermediate People's Court and Jilin Intermediate People's Court. With her long-term services in the judicial system, Ms. Wang is very experienced in legal matters. Ms. Wang graduated from Beijing Political Science and Law College (now China University of Political Science and Law).

Mr. Jia Xiangsen

Chinese Nationality

External supervisor of the Bank. Mr. Jia has been an external supervisor of Bank of China Limited since May 2019, and an independent director of China Life Insurance Company Limited since March 2016. He was concurrently chief audit executive and director general of the audit bureau at the Head Office of Agricultural Bank of China ("ABC") between March 2010 and March 2014 and headed the ABC Head Office audit bureau between April 2008 and March 2010. From December 1983 to April 2008, Mr. Jia was deputy general manager of the Fengtai District sub-branch of PBOC Beijing Branch, and held various positions at ABC Beijing Branch, including, among others, deputy head of Fengtai District sub-branch, deputy division chief (presiding) at the branch, head of Dongcheng District sub-branch, and eventually vice president and deputy secretary of Party committee of the branch. He served as general manager of the corporate banking department of ABC Head Office, president and secretary of Party committee of ABC Guangdong Provincial Branch. Prior to that, he worked at Chaoyang and Fengtai District offices of PBOC Beijing Branch. Mr. Jia graduated from the graduate school of the Chinese Academy of Social Sciences majoring in monetary banking.

Mr. Zheng Wei

Chinese Nationality

External supervisor of the Bank. Mr. Zheng is a professor and dean of risk management and insurance science at the School of Economics of Peking University. He has been working at the School of Economics of Peking University since July 1988, holding various positions including assistant lecturer, lecturer, associate professor, professor and Ph.D. tutor, and has been assistant dean, deputy dean and dean of risk management and insurance science since March 1999. He has been an independent director of Xinhua Life Insurance Co., Ltd. since March 2016, an independent director of Donghai Shipping Insurance Co., Ltd. since June 2016, an independent director of PICC Reinsurance Co., Ltd. since May 2017, and a director of Shanghai Nanyan Information Technology Co., Ltd. since November 2018. Between August 1999 and January 2000, Mr. Zheng was a visiting scholar to the Business School of the University of Wisconsin-Madison. Mr. Zheng graduated from the School of Economics of Peking University with a doctoral degree in finance.

Mr. Li Gang

Chinese Nationality

Employee representative supervisor of the Bank. Mr. Li has served as general manager of the Audit Department of the Bank since December 2019. He was the head of the Bank's Audit Department between September 2018 and December 2019. Mr. Li served as the secretary of Party committee and president of the Bank's Hefei Branch from January 2015 to September 2018, during which time, from March 2015 to September 2018, he served as the president of the Bank's Hefei Branch. From March 2012 to January 2015, he served as the general manager of the Bank's Audit Department. From February 2012 to March 2012, he served as the general manager of the Audit Department and concurrently the general manager of the Compliance Department of the Bank. From September 2009 to February 2012, he served as the general manager and before that he presided over the Bank's Compliance and Audit Department from July 2009 to September 2009. From June 2005 to July 2009, he served successively as the general manager of the Bank's treasury management division within the Budget and Finance Department, assistant general manager of the Budget and Finance Department and concurrently general manager of the Assets and Liabilities Management Department as well as deputy general manager of the Budget and Finance Department. From May 2001 to June 2005, he served as the general manager of the budget and finance division within the Business Department of the Bank's Head Office (now the Beijing Branch). Prior to that, Mr. Li served in CITIC Daxie Development Limited. Mr. Li graduated from Peking University with a degree of Executive Master of Business Administration.

Mr. Chen Panwu

Chinese Nationality

Employee representative supervisor of the Bank. He serves as general manager of the Bank's the Culture and Labor Union Department since September 2018, and executive vice chairman of the labor union of the Bank since December 2014. Prior to that, he was general manager of the Culture, Labor Union Office & Security Department of the Bank between April 2015 and September 2018; deputy general manager and general manager of the Human Resources Department of the Bank from June 2005 to November 2014, during which period he concurrently served as head of the organization department of the Party Committee of the Bank from October 2012 to November 2014. From May 1994 to June 2005, he worked at the Bank's Hangzhou Branch, successively serving as deputy head of the planning and credit unit, head of Fengqi office, general manager of the personnel department, and assistant to the general manager as well as general manager of the human resources unit. Mr. Chan graduated from Suzhou University with a doctoral degree in finance.

Ms. Zeng Yufang

Chinese Nationality

Employee representative supervisor of the Bank. She has been vice president of the Bank's Guangzhou Branch since August 2019. Earlier, she was assistant president and vice president of the Bank's Shenzhen Branch from July 2008 to August 2019, and deputy general manager and general manager of the accounting department of the branch from December 2003 to July 2008. Between August 2001 and November 2003, she was deputy general manager of Shenzhen Gaofei Industrial Co., Ltd. (now renamed "Shenzhen Honemark Information Technology Co., Ltd."). From December 1998 to July 2001, she was assistant chief of the finance and accounting division of State Development Bank Shenzhen Branch. From March 1996 to November 1998, she worked at Shenzhen Branch of China Investment Bank, successively serving as deputy chief of the accounting section and assistant general manager of the finance and accounting department of Futian sub-branch. Ms. Zeng graduated from East-West University of the USA with a master's degree in business administration.

8.2.3 Senior Management

Mr. Fang Heying

Chinese Nationality

Executive director, President and Chief Financial Officer of the Bank. Please refer to "Directors" in this chapter for Mr. Fang's resume.

Mr. Guo Danghuai

Chinese Nationality

Executive director and Vice President of the Bank. Please refer to "Directors" in this chapter for Mr. Guo's resume.

Mr. Yang Yu

Chinese Nationality

Vice President of the Bank. Mr. Yang has been Party committee member of the Bank since July 2015 and vice president of the Bank since December 2015. At the moment, Mr. Yang is concurrently chairman of CITIC Financial Leasing Co. Ltd. Prior to that, he was secretary of Party committee and president of China Construction Bank Corporation (CCB) Jiangsu Branch between March 2011 and June 2015; and secretary of Party committee and president of CCB Hebei Branch between July 2006 and February 2011. Between August 1982 and June 2006, Mr. Yang worked at CCB Henan Branch, holding various positions, including deputy head of the branch's budget and finance division, head of the budget and finance division as well as vice president and Party committee member of Xinyang Branch, secretary of Party committee and general manager of Zhengzhou municipal railway branch, secretary of Party committee and president of Zhengzhou Branch, and deputy secretary of Party committee and vice president (presiding) of Henan Provincial Branch. Mr. Yang is a senior economist with a master's degree and a doctorate degree in management. He has over 30 years of experience in the Chinese banking industry.

Mr. Hu Gang

Chinese Nationality

Vice President and Chief Risk Officer of the Bank. Mr. Hu has concurrently been Chief Risk Officer of the Bank since November 2019, and has served as Party committee member of the Bank since November 2017, vice president of the Bank since May 2017. Mr. Hu used to be secretary of Party committee of the Bank's Shanghai Branch between December 2014 and July 2018, and concurrently president of Shanghai Branch between May 2015 and July 2018. Prior to that, he was head of the wholesale business of the Bank from May 2014 to May 2017; Chief Risk Officer of the Bank from May 2013 to May 2014; Party committee member, vice president, secretary of Party committee, vice president (presiding) and president of the Bank's Chongqing Branch from May 2005 to May 2013. He served successively as deputy head of the preparatory team for establishment of the Bank's Changsha Branch, Party committee member and vice president of Changsha Branch from June 2000 to May 2005; and chairman of Changsha Xiangcai Urban Credit Cooperative in Hunan Province from October 1997 to June 2000. From August 1993 to October 1997, he worked for Hunan Zhongli Industrial Group Co., Ltd. and served successively as assistant general manager and general manager of Beihaixiang Properties Development Company and vice chairman of the company's affiliated Hongdu Enterprise Company. From March to August 1993, Mr. Hu was deputy section chief at the personnel department of Hunan Provincial Party Committee Office; and from June 1989 to March 1993, he worked for the Political Department of Hunan Provincial Procuratorate. Mr. Hu is a senior economist and a graduate of Hunan University with a doctoral degree in economics. He has over 10 years of experience in the Chinese banking industry.

Mr. Xie Zhibin

Chinese Nationality

Vice President of the Bank. Mr. Xie has been Vice President of the Bank since June 2019, a member of the Party committee of the Bank since February 2019, and concurrently a director of China UnionPay Co., Ltd. since December 2019. Previously, Mr. Xie was Secretary of the Committee for Disciplinary Inspection and member of the Party Committee of China Everbright Group Co., Ltd. from July 2015 to January 2019. Between March 2012 to July 2015, he served as Assistant General Manager of China Export Credit Insurance Corporation, during which time, from January 2014 to July 2015, he temporarily worked as a standing member of the Party committee and Deputy Mayor of Hohhot City in Inner Mongolia Autonomous Region. Earlier, from March 2011 to March 2012, he was Party Committee member and assistant general manager of China Export Credit Insurance Corporation. Between October 2001 and March 2011, he was staff member, assistant general manager, deputy general manager and general manager of the human resources department (assistant director, deputy director and director of the organization department under the Party committee) of China Export Credit Insurance Corporation, secretary of Party committee of the company's Shenzhen branch, and person in charge, secretary of Party committee and general manager of the company's Hebei provincial branch. Before that, from July 1991 to October 2001, he was a staff member, chief staff member and deputy director of the People's Insurance Company of China. Mr. Xie is an economist and graduated from Renmin University of China with a doctorate degree in economics.

Mr. Xiao Huan

Chinese Nationality

Secretary of the Committee for Disciplinary Inspection of the Bank. Mr. Xiao has been Secretary of the Committee for Disciplinary Inspection and member of the Party committee of the Bank since December 2019. Prior to that, Mr. Xiao was director of the Party Affairs Department and executive deputy secretary of Party committee directly under CITIC Group from March 2018 to December 2019. From March 2003 to April 2018, Mr. Xiao served as head of the Organization Division of the Organization Department (Human Resources and Education Department) of the Party Committee of CITIC Group; deputy chief and chief of the Organization Division and assistant director of the Party Affairs Department of CITIC Group; deputy secretary (temporary post) of the Committee for Disciplinary Inspection of China CITIC Bank; and deputy secretary of the Committee for Disciplinary Inspection and general manager of Department for Disciplinary Inspection and Supervision of China CITIC Bank. From July 1994 to March 2003, he was a teacher at the Moral Education Office of PLA Medical College and an officer at the Political Department of Beijing Military Medical College. Mr. Xiao graduated from PLA Nanjing Institute of Political Sciences with a bachelor's degree in laws.

Mr. Lu Wei

Chinese Nationality

Business Director of the Bank. Mr. Lu has been Business Director of the Bank since July 2019; secretary of Party committee of the Bank's Shenzhen Branch since January 2019; a board director of JSC Altyn Bank since June 2018; a board director of CITIC aiBank since August 2017; and deputy head of the preparatory team for the establishment of the Bank's Hong Kong Branch since September 2016. He was Board Secretary, Company Secretary and authorized representative of the Bank from January 2017 to July 2019. Previously, Mr. Lu was general manager of the Asset and Liability Department of the Bank between October 2016 and January 2019; general manager of the Budget and Finance Department (now Finance and Accounting Department) of the Bank from September 2013 to October 2016; and deputy general manager (presiding) of the Budget and Finance Department from March to September 2013. Between January 1997 and March 2013, he worked at the Business Department at the Head Office of the Bank, holding various positions including deputy section chief and deputy division chief at the Corporate Banking Department (during which period, from March 2001 to January 2002, he was seconded by the Bank to HSBC Jersey Branch), head, deputy general manager (presiding) and general manager of the Bank's Xidan sub-branch, general manager of the Bank's Capital Mansion sub-branch, general manager of the Bank's Interbank Business Department, and Party committee member, assistant general manager and deputy general manager of the Business Department at the Bank's Head Office. Between July 1994 and January 1997, Mr. Lu worked for Beijing Youth Industrial Group Corporation. Mr. Lu is a certified public accountant of PRC, Hong Kong SAR and Australia, with over 20 years' experience in the Chinese banking industry. He graduated from Deakin University in Australia with a master's degree in accounting.

Mr. Lu Jingen

Chinese Nationality

Business Director of the Bank. Mr. Lu has been Business Director of the Bank since 20 August 2018; and secretary of Party committee and president of Nanjing Branch of the Bank since September 2016. Prior to that, Mr. Lu served as secretary of Party committee and president of the Bank's Changsha Branch from November 2012 to September 2016; secretary of Party committee, vice president (presiding) and president of the Bank's Kunming Branch from March 2007 to November 2012; and assistant general manager (presiding) of the corporate banking department of the Bank from May 2006 to March 2007. He worked at the Business Department of the Bank's Head Office from January 1999 to May 2006, successively serving as deputy head of the corporate loan division, head of the asset preservation division, general manager of the Asian Games Village sub-branch, general manager of the Olympic Village sub-branch, general manager of the CITIC International Building sub-branch, and assistant general manager and Party committee member of the Business Department at the Head Office. Earlier, he worked at the Credit Department of the Bank from August 1994 to January 1999. Mr. Lu is a senior economist with over 20 years' experience in the Chinese banking industry. He graduated from Harbin Engineering University with a bachelor's degree in mechatronics, received his master's degree in economics from Renmin University of China and obtained his EMBA degree from Peking University.

Mr. Lü Tiangui

Chinese Nationality

Business Director of the Bank. Mr. Lü has been Business Director of the Bank since 20 August 2018; secretary of Party committee of the Bank's Credit Card Center since May 2014; concurrently general manager of the Bank's Retail Banking Department and Private Banking Department since September 2017; and a core member of the China Ageing Finance Forum (CAFF50) since October 2019. Previously, Mr. Lü served as president of the Bank's Credit Card Center from May 2014 to January 2019. Between January 2003 and May 2014, he was deputy general manager of the finance and law department, general manager of the operation department and general manager of the customer service department of the Credit Card Center of the Bank, as well as assistant president, Party committee member and vice president of the Credit Card Center. Earlier, from August 1993 to January 2003, he was deputy chief of the risk management division at Jilin Branch of Bank of China Corporation Limited. Mr. Lü has 26 years' practicing experience in the Chinese banking industry. He holds qualifications such as senior accountant, Certificated Internal Auditor (CIA) and PRC certified public accountant (CPA). Mr. Lü graduated from Sichuan University with a master's degree in business administration.

Ms. Zhang Qing

Chinese Nationality

Secretary to the Board of Directors and Company Secretary of the Bank. Ms. Zhang has been Secretary to the Board of Directors and Company Secretary of the Bank since July 2019, the head of the Organizing Department of the Party committee and general manager of the Human Resources Management Department of the Bank since November 2014. Concurrently, Ms. Zhang is also a director of CITIC Financial Leasing Co., Ltd. and CNCB (Hong Kong) Investment Limited. Prior to that, Ms. Zhang served as general manager of the Credit Management Department of the Bank from August 2013 to November 2014. From October 2001 to August 2013, she successively held various positions at the Bank's Xi'an branch, including assistant general manager, deputy general manager (presiding), and general manager of the Credit Management and Approval Department, assistant president, Party Committee member and vice president of the branch. From April 1993 to October 2001, Ms. Zhang worked at the Shaanxi branch of Industrial and Commercial Bank of China, successively working on the accounting, planning, credit management in the sub-branch and project review in the branch. Ms. Zhang is a senior economist and graduated from Xi'an University of Technology (formerly "Shaanxi Institute of Mechanical Engineering") with a master's degree in Engineering. She has 27 years of professional experience in the Chinese banking industry.

Mr. Liu Honghua

Chinese Nationality

Business Director of the Bank. Mr. Liu has served as Business Director of the Bank since August 2019, secretary of Party committee of the Business Department of the Head Office of the Bank since July 2017, and General Manager of the Business Department of the Bank's Head Office since July 2018. Previously, Mr. Liu worked in the Head Office of the Bank as General Manager of the Asset Custody Department and the Corporate Banking Department successively from January 2016 to July 2017; secretary of Party committee and President of Taiyuan Branch of the Bank from May 2013 to January 2016. From April 2002 to May 2013, he worked for the Business Department of the Head Office of the Bank, and held various positions including President of the Bank's Fuhua Sub-branch, General Manager of the Corporate Banking Department, Assistant General Manager, Party committee member and Deputy General Manager of the Business Department. From December 1986 to April 2002 when he worked for China Leasing Co., Ltd., he successively served as Assistant Manager, Deputy Manager and Manager of the Business Department II, Assistant Manager of the company and Manager, Deputy General Manager of the Administrative Management Division. From August 1986 to December 1986, he worked at China International Trust Investment Company. Mr. Liu graduated from Peking University with a degree of Executive Master of Business Administration. He is a senior economist, and has nearly 18 years of professional experience in the Chinese banking industry.

8.3 Appointment and Dismissal of Directors, Supervisors and Senior Management Members

8.3.1 Directors

At the 2018 Annual General Meeting convened on 24 May 2019, the Bank elected Vice President Mr. Guo Danghuai as an executive director of the 5th Session of the Board of Directors. Upon approval by the CBIRC, as of 16 September 2019, Mr. Guo Danghuai officially serves as executive director of the Board of Directors of the Bank.

In February 2019, due to age reason, Mr. Sun Deshun no longer held his positions at the Bank, including executive director and president of the Bank, chairman and member of the Risk Management Committee of the Board of Directors and member of the Strategic Development Committee of the Board of Directors, with effect from 26 February 2019.

8.3.2 Supervisors

In May 2019, employee representative supervisor Mr. Cheng Pusheng resigned his positions as employee representative supervisor, and member of the Supervision Committee of the Board of Supervisors of the Bank due to work rearrangements, with effect from 24 May 2019.

On 16 August 2019, the Employee Representative Assembly of the Bank elected Mr. Li Gang as employee representative supervisor of the 5th Session of the Board of Supervisors of the Bank. On 17 October 2019, the 15th meeting of the 5th Session of the Board of Supervisors of the Bank considered and approved relevant proposal regarding by-election of Mr. Li Gang as member of the Supervision Committee of the 5th Session of the Board of Supervisors of the Bank.

In January 2020, Ms. Wang Xiuhong resigned as external supervisor, and chairperson of the Nomination Committee of the Board of Supervisors of the Bank after completing her six years' term as external supervisor of the Bank. In order to ensure the Board of Supervisors of the Bank meets the requirement that the proportion of external supervisors is no less than one third of the number of supervisors, Ms. Wang's resignation will take effect after the new external supervisor elected by the general meeting of the Bank takes office. During this period, Ms. Wang Xiuhong will continue to perform her duties in accordance with relevant laws, regulations and the Articles of Association of the Bank.

8.3.3 Senior Management Members

On 26 February 2019, the Board of Director meeting reviewed and adopted related proposals giving the consent that Mr. Fang Heying would serve as President of the Bank as of the date when the CBIRC approved his qualification for office, prior to which Mr. Fang Heying would perform the duties of the President of the Bank. Upon approval by the CBIRC, Mr. Fang Heying officially serves as President of the Bank as of 29 March 2019.

In February 2019, Mr. Xie Zhibin joined the Bank as Party committee member. The Board of Directors meeting on 26 March 2019 reviewed and adopted related proposals on engaging Mr. Xie Zhibin to be Vice President of the Bank as of the date when the CBIRC approves his qualification for office. Upon approval by the CBIRC, Mr. Xie Zhibin officially serves as Vice President of the Bank as of 18 June 2019.

On 26 March 2019, the Board of Director meeting reviewed and adopted related proposals giving the consent that Ms. Zhang Qing would serve as Secretary to the Board of Directors, Company Secretary and other relevant position of the Bank as of the date when she obtained the Qualification Certificate for Secretary to the Board of Directors of SSE and the CBIRC approved her qualification for office. Ms. Zhang Qing obtained the Qualification Certificate for Secretary to the Board of Directors after attending a training session of SSE in April 2019. Upon approval by the CBIRC, Ms. Zhang Qing officially serves as Secretary to the Board of Directors of the Bank as of 1 July 2019. The appointment of Ms. Zhang Qing as Company Secretary and other relevant position of the Bank also took effect on 1 July 2019.

On 25 April 2019, the Board of Director meeting reviewed and adopted related proposals giving the consent that Mr. Lu Wei would serve as Business Director of the Bank and cease to serve as Secretary to the Board of Directors, Company Secretary and other relevant position of the Bank as of the date when Ms. Zhang Qing took the post of Secretary to the Board of Directors of the Bank. Ms. Zhang Qing officially served as Secretary to the Board of Directors of the Bank as of 1 July 2019 and Mr. Lu Wei ceased to serve as Secretary to the Board of Directors, Company Secretary and other relevant position of the Bank and officially began to serve as Business Director of the Bank.

On 26 March 2019, the Board of Director meeting reviewed and adopted related proposals giving the consent that Mr. Liu Honghua would serve as Business Director of the Bank as of the date when the CBIRC approved his qualification for office. Upon approval by CBIRC, Mr. Liu Honghua officially serves as Business Director of the Bank as of 5 August 2019.

On 28 November 2019, the Board of Directors meeting appointed Mr. Hu Gang, Vice President of the Bank, to concurrently serve as Chief Risk Officer of the Bank, and Mr. Yao Ming ceased to serve as Chief Risk Officer of the Bank due to his work needs. The appointment of Mr. Hu Gang as Vice President of the Bank has been approved by the regulatory authority. In accordance with the regulatory requirements, he concurrently held the post of Chief Risk Officer as of the date of approval by the Board of Directors.

In October 2019, Mr. Mo Yue ceased to serve as Secretary of the Committee for Disciplinary Inspection of the Bank due to retirement. Until the new Secretary of the Committee for Disciplinary Inspection of the Bank began to perform the duties, Mr. Mo Yue continued to perform the duties of Secretary of the Committee for Disciplinary Inspection.

In December 2019, Mr. Xiao Huan was appointed as Secretary of the Committee for Disciplinary Inspection of the Bank and he began to perform the duties in January 2020.

8.4 Remunerations of Directors, Supervisors and Senior Management Members

The scheme of remunerations for the Bank's directors and senior management members shall be drafted by the Nomination and Remuneration Committee under the Board of Directors and reviewed and approved by the Board of Directors. Thereafter the scheme of remunerations for the Bank's directors shall be submitted to the general meeting for approval. The scheme of remunerations for the Bank's supervisors shall be drafted by the Nomination Committee under the Board of Supervisors, and after its approval by the Board of Supervisors shall be submitted to the general meeting for approval. The Bank offers directors, supervisors and senior management members who are at the same time employees of the Bank remunerations corresponding to their positions and remunerations include salary, bonus, subsidy, employee welfare and insurance contributions, housing provident fund and annuity. An allowance system is implemented for independent non-executive directors and external supervisors. The Bank does not pay any salary or allowance to any other directors or supervisors. Pursuant to relevant PRC laws and regulations, the Bank has joined various mandatory contributory retirement schemes set out in PRC laws and regulations for all employees (including the executive directors, supervisors, and senior management members that are also employees of the Bank). Actual pre-tax remunerations paid to the directors, supervisors and senior management members (both incumbent and non-incumbent) who received remunerations from the Bank was in the amount of RMB33.7361 million for the reporting period. As at the end of the reporting period, the Bank had not provided any share incentives to directors, supervisors or senior management members.

8.5 Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Bank Held by Its Directors, Supervisors and Senior Management Members

As at the end of the reporting period, none of the Bank's directors, supervisors or senior management members, whether incumbent or non-incumbent during the reporting period, held any shares, share options or restrictive shares of the Bank.

8.6 Interests of Directors and Supervisors in Material Contracts

During the reporting period, neither the Bank or its holding companies, nor any of its subsidiaries or fellow subsidiaries entered into any material contract in relation to the business of the Bank in which any director or supervisor had material interests, whether directly or indirectly.

8.7 Service Contracts of Directors and Supervisors

None of the directors or supervisors of the Bank concluded with the Bank or any of the Bank's subsidiaries any service contract that may not be terminated within one year as of the entry into effect of the contract or that may only be terminated with the payment of other compensations in addition to the mandatory compensations.

8.8 Relationships among Directors, Supervisors and Senior Management Members

There was no material financial, business, family or other relationship among directors, supervisors or senior management members of the Bank.

8.9 Interests of Directors in Businesses Competing with the Bank

None of the directors of the Bank had any interest in businesses that directly or indirectly competed or may compete with the Bank.

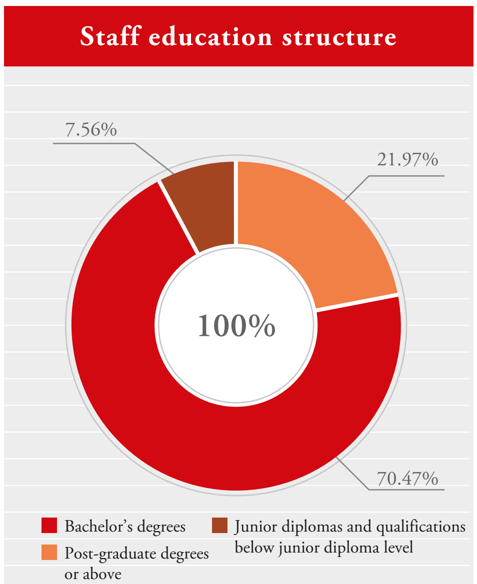
8.10 Liability Insurance for Directors, Supervisors and Senior Management Members

In 2019, the Bank bought liability insurance for all of its directors, supervisors and senior management members. In 2019, the Bank did not benefit any of its directors with any permitted indemnity provisions that had been or were in force.

8.11 Information on Staff and Affiliates

8.11.1 Number and Mix of Employees, Number of Retirees and Affiliates

As at the end of the reporting period, the Bank (including its consolidated subsidiaries) had 57,045 employees, including 55,278 under labor contracts with the Bank and 1,767 dispatched to the Bank or hired with letters of engagement by the Bank. Of all the employees, 12,126 served as managerial function, 41,091 as professional function and 3,828 as supporting function. 12,535 employees, 21.97% of the total, held post-graduate degrees or above; 40,197 employees, 70.47% of the total, held bachelor's degrees; and 4,313 employees, 7.56% of the total, held junior diplomas and qualifications below junior diploma level. In addition, the Bank had 1,625 retirees.



The Bank's Affiliates List (subsidiaries not included)

Region	Name of Affiliate	Address/Postal Code	Number of outlets	Number of staffers	Total Assets (RMB million)
Headquarters	Head Office	Address: No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100010	1	1,932	2,239,214
	Credit Card Center	Address: CITIC Bank Building, 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,864	507,371
Bohai Rim	Beijing Branch	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code: 100033	75	2,971	967,635
	Tianjin Branch	Address: 3-8/F &11/F Tianjin Global Financial Center, No. 2, Dagu North Road, Heping District, Tianjin Postal Code: 300020	36	998	100,824
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	61	1,758	78,183
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	46	1,544	102,352
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	53	1,668	99,180
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116011	24	839	49,448
Yangtze River Delta	Shanghai Branch	Address: CITIC Bank Building, 138 Expo Road, Pudong New Area, Shanghai Postal Code: 200126	51	1,672	326,541
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	83	3,152	370,634
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	28	1,063	137,317
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Jianggan District, Hangzhou, Zhejiang Province Postal Code: 310016	89	3,378	468,185
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	27	848	100,285
Pearl River Delta and West Strait	Fuzhou Branch	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350000	53	1,491	73,238
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	481	18,111
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	101	3,278	374,369
	Shenzhen Branch	Address: 5-10/F, North Tower, Phase II Time Square, No. 8 Third Central Road, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	48	1,488	337,649
	Haikou Branch	Address: Banshan Garden, No.1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	12	336	12,034

Region	Name of Affiliate	Address/Postal Code	Number of outlets	Number of staffers	Total Assets (RMB million)
Central Region	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,086	106,307
	Zhengzhou Branch	Address: CITIC Bank Building, No.1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	82	2,289	200,963
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	45	1,427	151,024
	Changsha Branch	Address: No.1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	41	1,192	84,939
	Nanchang Branch	Address: Tower A, No. 16, Hengmao International Mansion, No. 333, Guangchang South Road, Nanchang, Jiangxi Province Postal Code: 330003	20	662	71,162
	Taiyuan Branch	Address: No. 9 Fuxi Street, Xinghualing District, Taiyuan, Shanxi Province Postal Code: 030002	30	905	45,822
Western Region	Chongqing Branch	Address: No. 5 Jiangbeizui West Avenue, Jiangbei District, Chongqing Postal Code: 400021	29	1,035	128,757
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	18	543	43,818
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	14	415	37,522
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	34	880	50,207
	Yinchuan Branch	Address: No. 160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	246	18,482
	Xining Branch	Address: No. 1 Jiaotong Lane, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	219	9,365
	Xi'an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	38	1,070	73,848
	Chengdu Branch	Address: La Defense Tower, No. 1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	45	1,254	134,908
	Urumqi Branch	Address: CITIC Bank Tower, No. 165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	11	357	24,713
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	32	808	45,519
	Lanzhou Branch	Address: No. 638 Donggang West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	14	331	17,884
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	123	5,274
Northeastern region	Harbin Branch	Address: No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	511	29,628
	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130000	18	477	32,187
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	50	1,415	47,197
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG, UK	1	25	2,919
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	6	–

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 1,662 employees at its Data Center and Software Development Center; as well as four employees seconded to JSC Altyn Bank.

(2) The Credit Card Center mentioned in the above table had 74 sub-centers which consisted of 43 tier-one sub-centers and 31 tier-two sub-centers.

(3) The "total assets" in the above chart did not deduct the offset balance between affiliates.

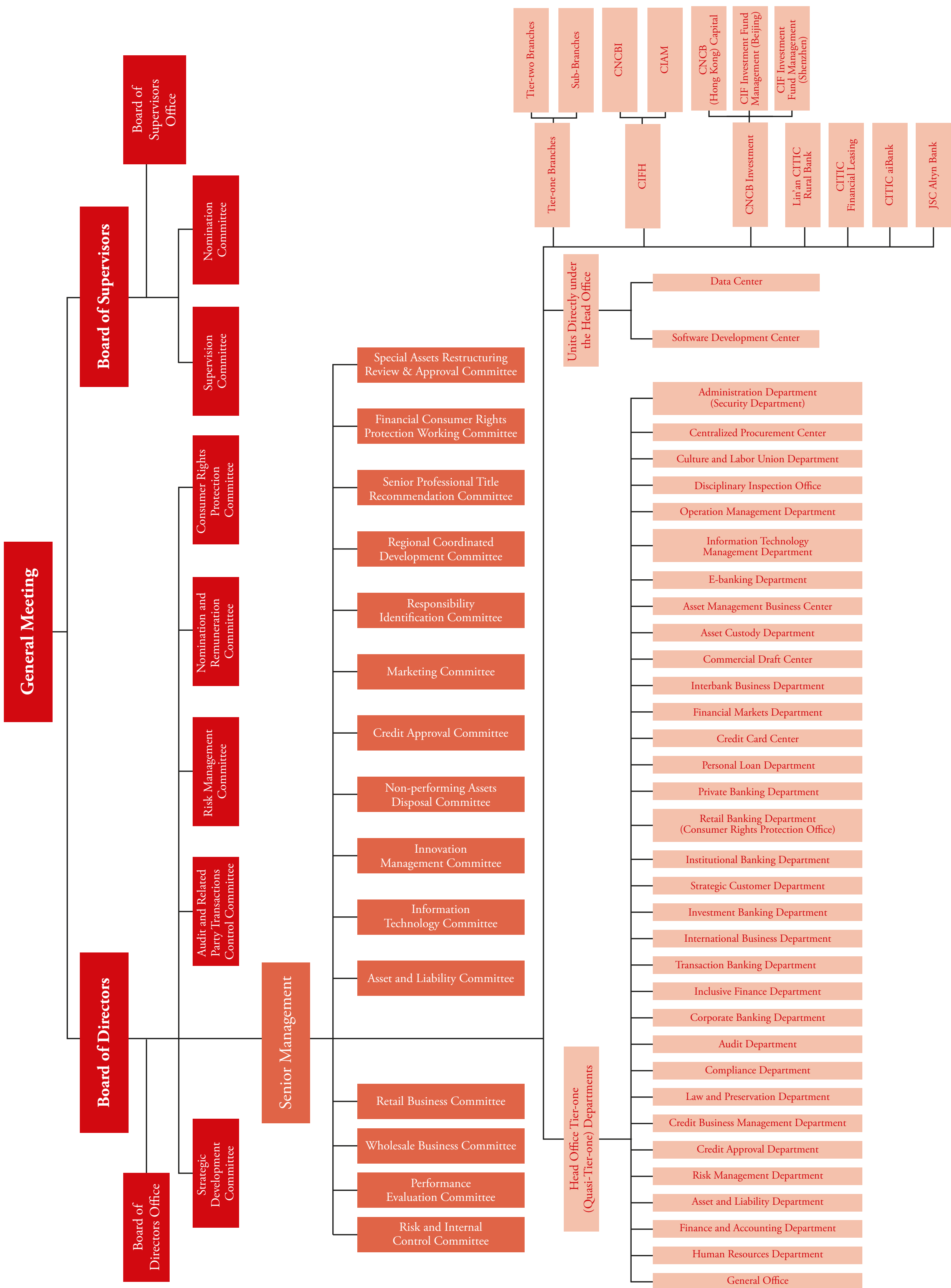
8.11.2 Human Resources Management

During the reporting period, the Bank, under the guidance of its bank-wide development plan, implemented the "talents for growth" strategy, and continuously deepened the human resources reform. It kept improving its human resources management model. Focusing on its development strategy, the Bank further improved its organizational framework and human resources structure, strengthened staffing in operating units and key fields, and stepped up the building of its own financial technology team to bolster the business transformation and professional competence. What's more, the Bank further improved management of managers and talent training and introduction, selected highly competent personnel to enhance its leadership, deepened communication among managers, and strengthened routine supervision. Besides, it vigorously selected and promoted excellent young officials to build a stronger personnel echelon, and advanced the "Double Hundred and Double Thousand" project to boost diversified development of employees. Meanwhile, the Bank further enhanced its remuneration and performance management, established a remuneration concept featuring position value, performance contribution and business competence as the core, and improved the mechanism of remuneration distribution that is compatible with competitiveness raising, risk control and steady development in accordance with the principle of combining effective incentives with strict constraints. Besides, the Bank continued to implement the policy of delayed payment of bonus, introduced the Objectives and Key Results (OKR) evaluation in the Head Office and inspired employee's initiative and innovation at the strategy level.

8.11.3 Human Resources Training and Development

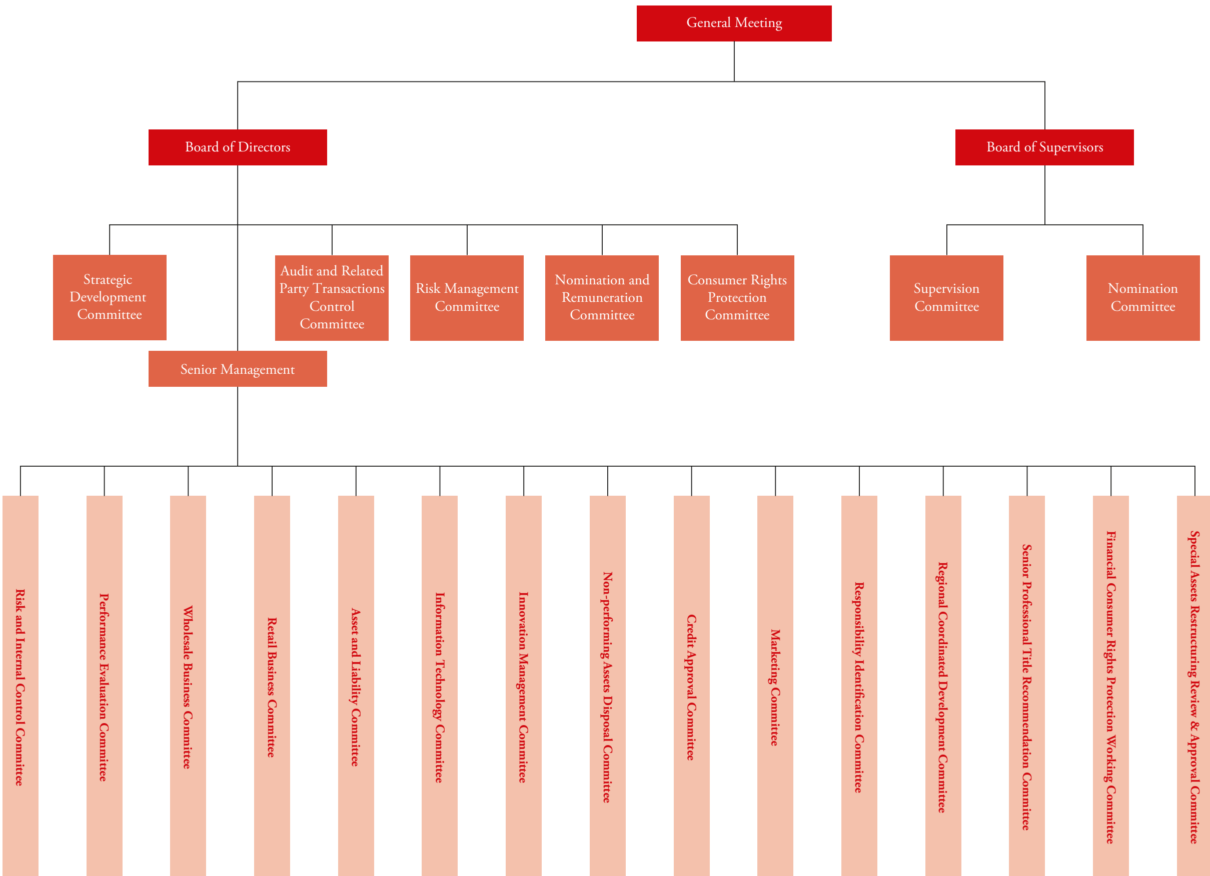
During the reporting period, the Bank carried out training on strategic planning, and held 5,274 sessions of training throughout the year, recording 696,900 person-times participation (exclusive of online training). Among them, based on the annual primary work focus and business, the Bank carried out business, product and policy training for professional personnel, as well as the training of internal trainers, and made the position qualification examination a regular event across the Bank. For managerial officials, the Bank completed the "before and on-the-job" training of senior management members at director and deputy director levels, heads of sub-branches, heads of tier-two branches, division-level officials, etc. It also built and cultivated "four teams" through the "Double Hundred and Double Thousand" project. At the same time, the Bank explored new model of digital learning and created a series of featured on-line training activities.

8.11.4 Organizational Chart



Chapter 9 Corporate Governance Report

9.1 Corporate Governance Structure



9.2 Overall Profile of Corporate Governance

During the reporting period, aiming at high-quality development, the Bank continued to improve its corporate governance systems and mechanisms and kept improving the effectiveness of corporate governance. In particular, it effectively incorporated leadership of the Party into corporate governance, and coordinated the operation of the main corporate governance actors which are checked and balanced. With the role of general meeting as the Bank's organ of power given full play, the Board of Directors, the Board of Supervisors and their specialized committees effectively performed their functions. The channels for the directors and supervisors to perform their duties were further broadened and their capability of performing their duties further enhanced.

Firmly implementing national strategies, the Board of Directors supported the development of the real economy and national key regions, and promoted financial cooperation under the Belt and Road Initiative. Besides, it developed inclusive finance with high quality, accelerated the arrangement in financial technology, and advanced the Bank's comprehensives and internationalized operation. The Board improved strategy management, intensified assessment and supervision, and made solid progress in the implementation of strategies and plans. The Board promoted the deepening of business transformation, enhanced the value of light-style development, and enhanced the capital strength of the Bank, which resulted in more coordinated business pattern. In addition, the Board vigorously forestalled and defused financial risks, promoted the development of "Safe CITIC Bank", and reinforced the concept of prudent business operation. It strengthened unified credit management, advanced the reform of the credit approval system, and strengthened the long-acting mechanism for internal control and compliance at home and abroad, thereby forming a coordinated basis for preventing risks and promoting development. On top of all these, the Board also continued self-development, improved the collective learning mechanism, and self-consciously accepted supervision by the Board of Supervisors and other stakeholders.

During the reporting period, the Bank organized the directors, supervisors and the board secretary to participate in training by external organizations such as the SSE, CSRC Beijing Bureau and PricewaterhouseCoopers Zhong Tian LLP, recording 16 person-times participation, and carried out surveys of 41 person-times at its affiliates and subsidiaries, further improving its survey quality and effectiveness.

There was no significant difference between the set-up and operation of the Bank's corporate governance bodies and the relevant requirements of the PRC Company Law, the CSRC and the SEHK; neither were there major corporate governance issues that the regulatory authorities required to resolve but remained outstanding.

9.3 General Meeting

9.3.1 General Meeting and Shareholders' Rights

Responsibilities of the general meeting

The general meeting is the Bank's organ of power. It is responsible for making decisions on the Bank's business guiding principles and investment plans; deliberating and approving the Bank's annual financial budget plans, final accounts plans, profit distribution plans and loss remedy plans; deliberating and approving the use of financing proceeds for other than set purposes; electing and replacing directors as well as shareholder representative supervisors and external supervisors, and deciding on the remunerations of directors and supervisors; deliberating and approving work reports of the Board of Directors and Board of Supervisors; producing resolutions on the Bank's plan for increase or decrease of registered capital; producing resolutions on the Bank's plans for merger, division, dissolution, liquidation or change in the corporate form of the Bank, issue of debt securities or other valuable papers for the purpose of capital replenishment of the Bank as well as the listing thereof, and repurchase of the Bank's ordinary shares; amending the Bank's Articles of Association; engaging and dismissing accounting firms and deciding on their remunerations or the ways to determine their remunerations; deliberating proposals put forward by shareholders who individually or collectively hold 3% or more of the voting shares of the Bank; deliberating matters involving major investments and purchase and disposal of major assets within one calendar year that exceed 10% of the audited net asset value of the Bank for the latest reporting period; deliberating share incentive plans; deciding on or authorizing the Board of Directors to decide on matters relating to the issued preference shares of the Bank, including but not limited to determining whether to repurchase or convert preference shares or pay dividends; deliberating related party transactions that shall be reviewed and approved by the general meeting pursuant to relevant laws, administrative regulations, rules and the securities regulatory rules of the places where the Bank's shares are listed; and deliberating other matters that shall be decided by the general meeting in accordance with relevant laws, administrative regulations, ministerial rules, requirements of the securities regulators at the places where the Bank's shares are listed and relevant provisions of the Articles of Association of the Bank.

Annual general meeting

The annual general meeting of the Bank provides an effective communication platform between the shareholders and the Board of Directors. For the convening of a general meeting, the Bank shall issue a written notice 45 days prior to the date of the meeting, informing all shareholders on record and entitled to attend the meeting of the matters to be deliberated as well as the date and venue of the meeting. Shareholders who intend to attend the meeting shall send their written reply slip to the Bank 20 days before the date of the meeting. Directors, supervisors and the board secretary of the Bank shall attend the general meeting, while President and other senior management members of the Bank shall be present at the general meeting as non-voting attendees. Directors, supervisors and senior management members of the Bank shall make explanations regarding inquiries and suggestions raised by shareholders at the meeting. Domestic and overseas auditors engaged by the Bank shall also attend the general meeting and answer questions in relation to external audit, audit reports and their contents, accounting policies and independence of auditors.

Unless otherwise provided for or arranged, shareholders of the Bank may vote by poll at the general meeting according to domestic and overseas securities regulatory rules. Details of the voting procedure shall be explained to the shareholders at the beginning of the meeting to ensure shareholders' familiarity with such procedures.

Extraordinary general meeting

In accordance with the Articles of Association of the Bank, extraordinary general meetings may be convened when proposed by at least 50% of the independent directors or all external supervisors, the Board of Directors and the Board of Supervisors, or upon written request of shareholders that individually or collectively hold 10% or more of the Bank's voting shares (actual numbers of shares shall be calculated as per the shareholdings of the requesting shareholders on the date when such a written request is made). The Board of Directors, the Board of Supervisors and ordinary shareholders (including preference shareholders with restored voting rights) that individually or collectively hold 3% or more of the Bank's shares are entitled to present to the Bank their proposals for the general meeting.

Submitting proposals to the general meeting

Ordinary shareholders (including preference shareholders with restored voting rights) that individually or collectively hold 3% or more of the Bank's shares may produce their ad hoc proposals and submit them in writing to the convener of the general meeting 10 days prior to the date of the meeting. Within two days after the receipt of such proposals, the convener shall issue supplementary notices for the general meeting to announce the contents of the ad hoc proposals and submit such proposals to the general meeting for deliberation.

Convening of extraordinary meetings of the Board of Directors

Extraordinary meetings of the Board of Directors may be convened when proposed by shareholders that represent 10% or more of the voting rights. The chairperson of the Board of Directors shall convene and preside over an extraordinary board meeting within 10 days as of the receipt of the proposal made by the shareholders that represent 10% or more of the voting rights.

Making inquiries to the Board of Directors

To make inquiries to the Board of Directors, shareholders may raise their concerns to the Board of Directors or the Bank via email to ir@citicbank.com or via other contacts as provided on the Bank's website. The Bank has published all of its announcements, press releases and useful company information on its website to improve its information transparency.

9.3.2 Convening of General Meetings

During the reporting period, the Bank convened 1 annual general meeting, 1 extraordinary general meeting, 1 A shareholders class meeting and 1 H shareholders class meeting, where 27 proposals were adopted after deliberation. On 30 January 2019, the Bank convened its 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019. On 24 May 2019, the Bank held its 2018 Annual General Meeting. These meetings were all convened in compliance with the procedures specified in the Articles of Association of the Bank. Relevant resolutions of these meetings were disclosed by the Bank on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com). For specific disclosure dates thereof, please refer to Chapter 4 "Significant Events – Information Disclosure Index" of this report.

9.4 Board of Directors

9.4.1 Composition and Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As at the end of the reporting period, the 5th session of the Board of Directors comprised 10 members. For details thereof, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

As per the Articles of Association of the Bank, the principal responsibilities of the Board of Directors include the following: to convene the general meeting and make a work report to the meeting; to implement the resolutions adopted by the general meeting; to determine the development strategies, business plans and investment proposals of the Bank; to prepare the annual financial budget and final accounts of the Bank; to prepare the profit distribution plans and loss remedy plans of the Bank; in accordance with the Articles of Association and within the scope of authorization of the general meeting, to determine the plans for major investment, major assets acquisition and disposal and other major matters of the Bank; to prepare proposals for the amendment of the Bank's Articles of Association; to appoint or dismiss the President of the Bank and the board secretary and to determine matters relating to their remuneration, awards and punishment; according to the nomination of the President, to appoint or dismiss the Vice President, Business Directors and other senior management members who shall be appointed by the Board according to regulatory requirements, and to determine matters relating to their remuneration, awards and punishment; to review and establish the basic management rules and internal management structure of the Bank, etc. The Board of Directors should listen to the opinions of the Bank's Party Committee prior to making decisions on major issues of the Bank.

The Board of Directors of the Bank has completed self-assessment of the effectiveness of the design and operation of its internal control. Please refer to "Internal Control Assessment" in this chapter for details.

9.4.2 Meetings of the Board of Directors

During the reporting period, the Board of Directors convened 11 meetings (including 9 on-site meetings and 2 meetings for voting by correspondence). At the meetings, the Board of Directors deliberated and adopted 64 proposals, including the Bank's 2018 Annual Report, 2020 Annual Audit Plan, 2018 Sustainability Report, Proposal regarding the Changes in Accounting Policies on the New Lease Standards, 2020 Institution Development Plan, Proposal regarding the Issuance of Undated Capital Bonds, Proposal to the General Meeting on the Extension of the Authorization Period to the Board of Directors for Handling Matters in Relation to the Non-public Offering of Preference Shares, Proposal on the Amendment to the Rules of Procedures of the Risk Management Committee under the Board of Directors, and Proposal on Increasing Share Capital of CITIC aiBank Corporation Limited. In addition, the Board of Directors listened to 44 presentations respectively the Bank's comprehensive risk management report in 2018, internal control and compliance work report in 2018, innovation work report in 2018, incident prevention and behavior management work report in 2019, cooperation with the top ten loan customers (group) for the full year of 2018 and in the first half of 2019, data government work report in 2019, stress testing work report in 2019, etc. Significant events were all submitted to the on-site board meetings for deliberation to assure compliance. Matters requiring voting by correspondence and eligible for the same as per the corporate governance rules were deliberated at the meetings for voting by correspondence. The attendance records of the directors at the board meetings in the reporting period are set out in the table below.

Incumbent Directors	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Li Qingping	8/11	3/11
Cao Guoqiang	9/11	2/11
Fang Heying	11/11	0/11
Guo Danghuai	3/3	0/3
Huang Fang	11/11	0/11
Wan Liming	8/11	3/11
He Cao	10/11	1/11
Chen Lihua	10/11	1/11
Qian Jun	11/11	0/11
Yan Lap Kei Isaac	11/11	0/11

Note: During the reporting period, before his departure as director, Mr. Sun Deshun attended 1 meeting by proxy among these 1 meeting taken place during his tenure.

9.4.3 Responsibility Statement of the Directors on the Financial Report

The following statement, which sets out the responsibility of the directors to the financial report, should be read in conjunction with, but distinguished in understanding from, the review opinions as set out in the auditor's report contained in this annual report.

The directors acknowledge that they are responsible for preparing the financial report of the Bank that gives a true view of the operating results of the Bank for each financial year. The directors are not aware of any events or conditions that could have material adverse impact on the Bank's operation as a going concern.

9.4.4 Independence of Independent Non-Executive Directors and Their Performance of Duties

The independent non-executive directors of the Bank had no business or financial interests in the Bank or its subsidiaries, nor did they assume any managerial positions in the Bank. Therefore, their independence was well guaranteed. The Bank has received an annual confirmation letter from each independent non-executive director confirming his/her independence and recognized his/her independence as such.

The independent non-executive directors of the Bank effectively performed their duties by attending the general meetings as well as meetings of the Board of Directors and its specialized committees and actively expressing their opinions. They also enhanced their understanding of the business development of the Bank's affiliates by multiple means including field surveys and symposiums.

The independent non-executive directors of the Bank highly valued and continuously enhanced their own capacity for performance of duties. Among others, they communicated with the management for better understanding of relevant presentations and proposals prior to each board meeting. They also participated in various training sessions organized by the regulators to understand regulatory trends and requirements, deepen their learning and understanding of regulatory policies, and improve their capacity for performance of duties.

The Audit and Related Party Transactions Control Committee and the Nomination and Remuneration Committee under the Board of Directors were both chaired by independent non-executive directors. The Audit and Related Party Transactions Control Committee comprised entirely of independent non-executive directors, while most of the members of the Nomination and Remuneration Committee and the Consumer Rights Protection Committee were independent non-executive directors. According to the Regulations of China CITIC Bank Corporation Limited on the Work of the Independent Directors in relation to the Annual Report, the independent non-executive directors of the Bank communicated with the auditors and fully performed their role of independent supervision. During the reporting period, the independent non-executive directors did not raise any objections to the proposals of either the Board of Directors or its specialized committees.

The independent non-executive directors of the Bank put forward relevant comments and suggestions regarding the Bank's strategic planning, operation and management, business development, profit distribution, remunerations of senior management members, risk management, internal control and compliance, related party transactions and consumer rights protection. The Bank attached great importance to such inputs and implemented them in the light of its actual situations. For information regarding the attendance of the independent non-executive directors at the Board of Directors meetings during the reporting period, please refer to "Convening of General Meetings" and "Meetings of the Board of Directors" in this chapter, respectively. The information regarding the attendance of the independent non-executive directors at general meetings is as follows:

Independent Non-executive Directors	Attendance to general meetings/Number of general meetings held
He Cao	4/4
Chen Lihua	0/4
Qian Jun	3/4
Yan Lap Kei Isaac	4/4

9.4.5 Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of SEHK (the "Model Code") and has complied with Rules 13.67 and 19A.07B of the Listing Rules to regulate the securities transactions of its directors and supervisors. All the directors and supervisors were consulted specifically for this matter, and all of them confirmed that they had strictly complied with the relevant provisions of the Model Code throughout the reporting period.

9.4.6 The Board of Directors' Deliberation of the Sustainable Development Report

The Board of Directors deliberated the 2019 Sustainable Development Report of China CITIC Bank as a separate proposal and had no objections to the content of the report.

9.5 Specialized Committees under the Board of Directors

There were 5 specialized committees under the Board of Directors, namely, the Strategic Development Committee, the Audit and Related Party Transactions Control Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Consumer Rights Protection Committee.

9.5.1 Strategic Development Committee

As at the end of the reporting period, the Strategic Development Committee of the 5th session of the Board of Directors comprised 4 directors, with chairperson and executive director Ms. Li Qingping as committee chairperson, and non-executive director Mr. Cao Guoqiang, executive director Mr. Fang Heying and independent non-executive director Mr. Qian Jun as committee members. Its principal responsibilities include: to study the Bank's operation and management targets, long-term development strategies, and special strategic development plans respectively regarding human resources, information technology development and other areas, and make recommendations thereon to the Board of Directors; to study programs on major cooperation, investment, financing, and merger and acquisition, and make recommendations thereon to the Board of Directors; and to supervise and examine the implementation of annual business plans and investment programs as authorized by the Board of Directors.

During the reporting period, the Strategic Development Committee convened 4 meetings in total where it deliberated and adopted 14 proposals, including the Bank's 2018 profit distribution plan, issuance of undated capital bonds, report on equity management of substantial shareholders in 2018, increasing share capital of CITIC aiBank Corporation Limited, and amendment to the Measures for Strategy Management of China CITIC Bank Corporation Limited, and put forward suggestions on relevant subject matters. The attendance records of the Strategic Development Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Li Qingping	3/4	1/4
Cao Guoqiang	4/4	0/4
Fang Heying	3/3	0/3
Qian Jun	4/4	0/4

Note: On 26 March 2019, the meeting of Board of Directors reviewed and adopted proposal, appointing Mr. Fang Heying, the executive director, as member of the Strategic Development Committee of the Board.

9.5.2 Audit and Related Party Transactions Control Committee

As at the end of the reporting period, the Audit and Related Party Transactions Control Committee of the 5th session of the Board of Directors comprised 3 directors, with independent non-executive director Mr. Yan Lap Kei Isaac as chairperson, and independent non-executive directors Mr. He Cao and Mr. Qian Jun as members. The principal responsibilities of the Audit and Related Party Transactions Control Committee include the following: to inspect the risk profile and compliance status, accounting policies and practices, financial reporting procedures and financial position of the Bank; to review the Bank's regulations on financial monitoring, internal control and risk management; and to study the regulations on related party transactions, make recommendations thereon to the Board of Directors, and supervise the implementation of such regulations.

During the reporting period, the Audit and Related Party Transactions Control Committee convened 10 meetings in total. At the meetings, the committee reviewed and adopted 25 proposals, including the Bank's periodic reports, engagement of accounting firms for 2019 and their fees, amendments to the related party transactions management measures, and credit extension to related parties, and listened to 9 presentations respectively regarding the Bank's operating results for the full year of 2018 and for the 1st quarter, first half and 3rd quarter of 2019, and internal control and compliance work report in 2018, and raised suggestions on relevant subject matters. The attendance records of the Audit and Related Party Transactions Control Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Yan Lap Kei Isaac	9/10	1/10
He Cao	9/10	1/10
Qian Jun	9/10	1/10

During the preparation and audit of the Bank's 2019 Annual Report, the Audit and Related Party Transactions Control Committee reviewed the audit time frame and progress schedule of the external auditors and checked on and supervised external auditors' work by means of listening to presentations and arranging symposiums. The committee reviewed the Bank's financial statements twice, the first time before the certified public accountants (CPAs) responsible for the annual audit arrived at the premise, and the second time after the CPAs produced their preliminary audit opinion. In addition, the committee carried out multiple rounds of adequate communication with the CPAs responsible for the annual audit. The Audit and Related Party Transactions Control Committee convened a meeting on 23 March 2020, opining that the financial statements of the Bank gave a true, accurate and complete view of the overall situation of the Bank. Based on its review of the external auditor's summary report on the annual audit plus its comprehensive objective assessment of the performance and professionalism of the annual audit assignment, the committee gave the consent that the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its overseas auditor for 2020, and decided to submit these matters to the Board of Directors for deliberation.

9.5.3 Risk Management Committee

As at the end of the reporting period, the Risk Management Committee of the 5th session of the Board of Directors of the Bank comprised 4 directors, with executive director and President Mr. Fang Heying as chairperson, and executive director Mr. Guo Danghuai, independent non-executive directors Mr. Qian Jun and Mr. Yan Lap Kei Isaac as members. The principal responsibilities of the committee include the following: to supervise the senior management's control of credit risk, liquidity risk, market risk, operational risk, compliance risk and reputational risk; to evaluate risk preference, credit policy, policies on management of liquidity risk, market risk, operational risk, compliance risk and reputational risk, lawfulness and compliance of business operation, risk management profile and risk tolerance of the Bank on a regular basis; to advise the Board of Directors on how to improve risk management and internal control of the Bank; to comprehensively manage the risk of money laundering across the Bank, guide the whole bank on how to fulfill its anti-money laundering duties and obligations, review and identify the overall situation of money laundering risks, report the same to the Board of Directors and put forward opinions on how to handle major anti-money laundering matters.

During the reporting period, the Risk Management Committee convened 6 meetings where it deliberated and adopted 11 proposals, including the Bank's 2018 Report on Management of Capital Adequacy Ratios, 2018 Report on Internal Assessment of Capital Adequacy, 2019 Risk Preference Statement, and amendment to the comprehensive risk management policy; and the committee listened to 24 presentations including the Bank's comprehensive risk management for the full year of 2018 and that for the 1st quarter, first half and 3rd quarter of 2019, report on the Group's execution of financial statements consolidation management in 2018, internal control and compliance and anti-money laundering work in the first half of 2019, credit policy re-examination in the first half of 2019, stress testing work report in 2019, large risk exposures management, and data government work in 2019, and put forward suggestions on relevant subject matters. The attendance records of the Risk Management Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Fang Heying	6/6	0/6
Guo Danghuai	1/1	0/1
Qian Jun	5/6	1/6
Yan Lap Kei Isaac	6/6	0/6

Notes:

(1) On 26 March 2019, the meeting of Board of Directors reviewed and adopted related proposals, electing Mr. Fang Heying, the executive director as chairperson of the Risk Management Committee of the Board of Directors.

(2) On 17 October 2019, the meeting of Board of Directors reviewed and adopted related proposals, electing Mr. Guo Danghuai as member of the Risk Management Committee of the 5th session of the Board of Directors.

(3) During the reporting period, before his departure as director, Mr. Sun Deshun attended 1 meeting by proxy among these 1 meeting taken place during his tenure.

9.5.4 Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the 5th session of the Board of Directors of the Bank comprised 3 directors, with independent non-executive director Mr. Qian Jun as chairperson, and non-executive director Ms. Huang Fang and independent non-executive director Mr. Yan Lap Kei Isaac as members. Principal responsibilities of the Nomination and Remuneration Committee are the following: to assist the Board of Directors in formulating the procedures and standards for selecting and appointing board directors and senior management members; to advise the Board of Directors on candidates for independent non-executive directors; to deliberate the remuneration management rules and policies of the Bank; to formulate the performance evaluation methods and remuneration schemes for directors and senior management members, and to make recommendations on the remuneration schemes to the Board of Directors and supervise the implementation of such schemes.

The Bank believes that diversity of board members is conducive to enhancing its operational quality and is a key factor in its efforts to attain strategic goals, maintain competitive advantages and achieve sustainable development. In setting the composition of the board membership, the Bank considers the diversity of board members in a number of ways, including but not limited to talent, skill, knowledge, industry and expertise, cultural and educational backgrounds, gender, age and ethnicity. The appointment of all board members should be made after comprehensive consideration of the talents, skills, knowledge, experiences and cultural and educational backgrounds required for the overall operation of the Board.

When reviewing candidates for board directorship and making recommendations to the Board, the Nomination and Remuneration Committee under the Board of Directors will consider candidates based on their respective objective conditions, and consider the benefits of board member diversity in all aspects, taking into comprehensive account the talents, skills, knowledge, experiences and cultural and educational backgrounds of board members. At any given time, the Nomination and Remuneration Committee may recommend the Board to seek improvement to its diversity in one or more aspects in order to maintain an appropriate and balanced composition of the Board in the light of the Bank's business development.

The current session of the Board of Directors of the Bank comprises members of different genders, ages, cultures, educational backgrounds and professional experiences. For relevant information about the directors, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

During the reporting period, the Nomination and Remuneration Committee convened 6 meetings where it deliberated and adopted 16 proposals, including the appointment of Mr. Fang Heying as President of the Bank, the report on assessment of the directors' performance of duties in 2018, the amendments to the measures for assessment of the directors' performance of duties by the Board, the 2018 plan for the final accounts of employee remunerations and the 2018 plan for payment of remunerations to senior management members, and put forward suggestions on relevant subject matters. The attendance records of the Nomination and Remunerations Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Qian Jun	5/6	1/6
Huang Fang	6/6	0/6
Yan Lap Kei Isaac	6/6	0/6

During the reporting period, the Nomination and Remuneration Committee studied and reviewed the remuneration scheme for the Bank's senior management and supervised its implementation. The committee was of the view that the senior management of the Bank performed its fiduciary duties and due diligence, pursued progress amid stability, and implemented the Bank's plans as scheduled in 2019 within its scope of mandate as specified in relevant laws and regulations and the Bank's Articles of Association, and as guided and authorized by the Board of Directors and supervised by the Board of Supervisors, which in turn further increased corporate value and shareholder value of the Bank. Upon review, the committee held that the remunerations for directors, supervisors and senior management members as disclosed by the Bank were consistent with relevant remuneration policies and schemes and in compliance with applicable information disclosure standards required for listed issuers by domestic and overseas regulators. The committee confirmed that the Bank did not have any share incentive scheme in effect as at the end of the reporting period.

During the reporting period, the Nomination and Remuneration Committee performed the nomination procedure for directors and senior management members in line with its rules of procedures, including: reviewing the qualifications of the nominated candidates for directors and senior management members in terms of their independence, expertise, experiences and capabilities; reviewing the structure, size and composition of the Board of Directors (including skills, knowledge and experience) at least on an annual basis; and making recommendations on any proposed changes regarding the Board of Directors to match the Bank's development strategy.

9.5.5 Consumer Rights Protection Committee

As at the end of the reporting period, the Consumer Rights Protection Committee of the 5th session of the Board of Directors of the Bank comprised 3 directors, with non-executive director Ms. Huang Fang as chairperson, and independent non-executive directors Mr. He Cao and Ms. Chen Lihua as members. Principal responsibilities of the Consumer Rights Protection Committee include the following: to formulate the Bank's strategies, policies and objectives on consumer rights protection work; to urge the senior management to effectively implement and practice relevant work of consumer rights protection; and to supervise and assess the Bank's consumer rights protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties.

During the reporting period, the Consumer Rights Protection Committee convened 2 meetings where it deliberated and adopted the proposal regarding its 2019 annual work plan, and the committee listened to 2 presentations respectively regarding the Bank's service quality and consumer rights protection work for the full year of 2018 and the first half of 2019, and put forward suggestions on relevant subject matters. The attendance records of the Consumer Rights Protection Committee members at the committee meetings during the reporting period are set out in the table below.

Members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Huang Fang	2/2	0/2
He Cao	2/2	0/2
Chen Lihua	1/2	1/2

9.6 Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank accountable to the general meeting. As at the end of the reporting period, the Board of Supervisors of the Bank comprised 8 members. For details thereof, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

According to the Bank's Articles of Association, the principal responsibilities of the Board of Supervisors of the Bank include the following: to supervise the performance of the duties by and due diligence of the directors and senior management members; to examine and supervise the financial activities of the Bank; to verify the financial information such as financial reports, business reports and profit distribution plan and regular reports that the Board of Directors intends to submit to the general meeting; to audit the business decision-making, risk management and internal control of the Bank, if necessary, and to provide guidance and conduct supervision on the work of the internal audit department of the Bank; to supervise the establishment and implementation of the internal control by the Board of Directors; and to supervise the Board of Directors on its consolidation management of the Bank; among others.

For details on work carried out by the Board of Supervisors and its specialized committees during the reporting period, please refer to Chapter 10 "Report of the Board of Supervisors" of this report.

9.7 Senior Management

The senior management is the executive arm of the Bank accountable to the Board of Directors. There is a strict division of duties and separation of power between the Bank's senior management and the Board of Directors. As authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate. The Board of Directors evaluates the performance of the senior management members, the results of which shall be used as the basis for determining remunerations and other incentive arrangements for the senior management members. The senior management should truthfully report to the Board of Directors or the Board of Supervisors, on a regular basis or as required by the Board of Directors or the Board of Supervisors, information regarding the Bank's business performance, important contracts, financial positions, risk profiles, business outlooks and significant events. As at the end of the reporting period, the Bank's senior management comprised 11 members. For details thereof, please refer to Chapter 8 "Directors, Supervisors, Senior Management Members, Staff and Affiliates" of this report.

9.8 Establishment and Implementation of Performance Evaluation and Incentive Mechanisms for Senior Management Members

The Bank has set up its mechanism for annual performance evaluation of the senior management members, which assesses the latter's attainment of business targets and ability to perform duties. Results of the annual performance evaluation are used as an important basis for determining the executives' remunerations, appointment or removal, work rearrangement, exchange, and training.

9.9 Chairperson and President

The Bank set separated positions of its Chairperson and President. As at the end of the reporting period, Ms. Li Qingping was Chairperson and executive director of the Bank, responsible for presiding over the general meeting, convening and presiding over meetings of the Board of Directors and examining the implementation of board resolutions and other relevant matters. Mr. Fang Heying was President and executive director of the Bank, performing the duties including implementing board resolutions and leading the Bank in its business operation and management and other relevant matters. The division of duties between the Chairperson and President of the Bank was clearly defined and in compliance with the Hong Kong Listing Rules.

9.10 Company Secretary as per the Hong Kong Listing Rules

As at the disclosure date of this report, the Bank engaged, externally, Ms. Kam Mei Ha Wendy (FCS, FCIS) as the joint company secretary of the Bank as per the Hong Kong Listing Rules; and the main contact person of Ms. Kam Mei Ha Wendy within the Bank was Ms. Zhang Qing, the board secretary and company secretary of the Bank. The contact information of Ms. Zhang Qing is Tel: +86-10-85230010, Fax: +86-10-85230079.

9.11 Explanations on Independence from the Controlling Shareholder

The Bank is fully independent from the controlling shareholder in terms of business, personnel, assets, institutional set-up and financials, and maintains its independent and complete business as well as the capability of independent business operation.

9.12 Independent Non-Executive Directors' Statement on Undertakings Made by CITIC Group and CIFH under the Non-Competition Deed

CITIC Group transferred its 70.32% equity interest in CIFH to the Bank on 23 October 2009, thus releasing CIFH from all obligations under the Non-Competition Deed.

The independent non-executive directors of the Bank came to a conclusion on the non-competition undertakings of CITIC Group, holding that CITIC Group honored its non-competition undertakings during the reporting period. CITIC Group produced a statement on the performance of its non-competition undertakings under the Non-Competition Deed it entered into with the Bank on 13 March 2007.

9.13 Development and Review of Corporate Governance Policies and Practices

The Board of Directors of the Bank attached great importance to the establishment and improvement of internal rules and regulations on corporate governance. During the reporting period, the Bank amended the Measures for Related Party Transactions Management of China CITIC Bank Corporation Limited and the Measures for Assessment of the Directors' Performance of Duties by the Board of Directors of China CITIC Bank Corporation Limited, and formulated the Measures for Equity Pledge Management of China CITIC Bank Corporation Limited in light of its own real situations and relevant regulatory requirements. These efforts further improved the Bank's corporate governance regulations and provided an important support for the Bank to carry out scientific operation of corporate governance and more standard management of shareholder rights and obligations.

9.14 Review and Supervision of Training and Continuing Professional Development of Directors, Supervisors and Senior Management Members

The Board of Directors kept urging the directors and senior management members to participate in relevant training for better professional development in general and for the directors to enhance their comprehensive quality and competence for performance of duties in particular. During the reporting period, the Board of Directors and the Board of Supervisors organized the directors and the supervisors to participate in relevant training in accordance with the applicable requirements of the CBIRC, CSRC, Hong Kong Securities and Futures Commission and SEHK. The training achieved very good results.

The table below sets out the participation of the Bank's incumbent directors, supervisors, and board secretary in the training provided by relevant external institutions.

Name	Title	Trainer	Training Model	Training Duration (day)
Li Qingping	Chairperson, Executive director	CSRC Beijing Bureau	On-site lecturing	1
Fang Heying	Executive director, President & Chief Financial Officer	CSRC Beijing Bureau	On-site lecturing	1
Guo Danghuai	Executive director & Vice President	CSRC Beijing Bureau	Online training	1
Huang Fang	Non-executive director	CBIRC	On-site lecturing	3
Wan Liming	Non-executive director	CBIRC	On-site lecturing	3
He Cao	Independent non-executive director	CBIRC	On-site lecturing	3
Chen Lihua	Independent non-executive director	CBIRC	On-site lecturing	3
Yan Lap Kei Isaac	Independent non-executive director	CBIRC	On-site lecturing	3
Wang Xiuhong	External supervisor	CSRC Beijing Bureau	On-site lecturing	1
Jia Xiangsen	External supervisor	CSRC Beijing Bureau	On-site lecturing	1
Zheng Wei	External supervisor	CSRC Beijing Bureau	On-site lecturing	1
Li Gang	Employee representative supervisor	CSRC Beijing Bureau	On-site lecturing	1
Chen Panwu	Employee representative supervisor	CSRC Beijing Bureau	On-site lecturing	1
Zeng Yufang	Employee representative supervisor	CSRC Beijing Bureau	On-site lecturing	1
Zhang Qing	Board Secretary	SSE	On-site lecturing	3
		CBIRC	On-site lecturing	3

Ms. Zhang Qing, board secretary and Company Secretary of the Bank, participated in relevant professional training sessions organized by the regulators and other relevant organizations, completing more than 15 training hours during the reporting period, compliant with relevant regulatory requirements of SEHK. Ms. Kam Mei Ha Wendy has also satisfied the training requirement during the reporting period under Rule 3.29 of the Hong Kong Listing Rules.

As per relevant regulatory requirements, the Bank compiled the References Letters for Directors and Supervisors on both regular and non-regular basis to help the directors and supervisors gain a comprehensive understanding of the strategy implementation, business momentum, risk control, internal control and compliance of the Bank. The directors of the Bank reviewed the reports and other written materials provided to them regarding the latest developments in the banking industry in general and the Bank's business in particular as well as relevant legal and regulatory requirements. Below is a summary of the incumbent directors' continuing professional development during the reporting period.

Name	Training on business, directors' duties and corporate governance	Monthly updates and other reading materials on latest developments in the Bank's business operation and the banking industry as well as relevant legal and regulatory requirements
Li Qingping *(Chairperson, Executive director)*	✓	✓
Cao Guoqiang *(Non-executive director)*	✓	✓
Fang Heying *(Executive director, President & Chief Financial Officer)*	✓	✓
Guo Danghuai *(Executive director & Vice President)*	✓	✓
Huang Fang *(Non-executive director)*	✓	✓
Wan Liming *(Non-executive director)*	✓	✓
He Cao *(Independent non-executive director)*	✓	✓
Chen Lihua *(Independent non-executive director)*	✓	✓
Qian Jun *(Independent non-executive director)*	✓	✓
Yan Lap Kei Isaac *(Independent non-executive director)*	✓	✓

9.15 Review and Supervision of the Company's Policies and Practices for Compliance with Legal and Regulatory Requirements

Under the guidance of the Board of Directors, the Bank solidly implemented the "Consolidating Chaos Rectification Results, Boosting Compliance Improvement" campaign of the CBIRC to continue to upgrade its internal control and management mechanisms. Among others, the Bank continued to improve its internal control oversight system, deepened the building of the employee behavior management system in line with relevant regulatory requirements, and pushed forward in internalizing external regulations work required by the regulation on financial services for small and micro enterprises, asset custody business, account, payment and settlement. In addition, the Bank continuously implemented the new anti-money laundering regulations, improved the top designs of its internal rules on anti-money laundering, and reinforced compliance management at its overseas institutions to ensure business compliance. The Board of Directors periodically reviewed internal control and compliance reports, guided the comprehensive promotion of a compliance and risk culture, and further elevated all-employee recognition of the value of compliance.

9.16 Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code set out in Appendix 14 to the Listing Rules of SEHK throughout the year ended 31 December 2019, except for the following:

According to Code A.1.3 of the Corporate Governance Code, the meeting notice of the Board of Directors shall be given at least 14 days before each regular board meeting, while all directors and supervisors shall be notified in writing 10 days prior to a regular board meeting according to Article 179 of the Bank's Articles of Association. The Bank adopted the above-mentioned latter notice practice for regular board meetings because a 10-day prior notice practice complies with applicable PRC laws and regulations, and reasonable time is deemed to have been given.

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend the general meetings of the Bank in person due to conflict of timing or other arrangements.

Given the changes in the external business environment and regulatory requirements in general and changes in the business scopes and scales of banks in particular, there is no end to the improvement of internal control of banks. Therefore, the Bank will follow the requirements of external regulators, the work requirements of listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

9.17 Management of Investor Relations

During the reporting period, the Bank communicated with participants of the capital market by more than 1,600 person-times cumulatively through various online and offline interaction channels and approaches such as hosting and visiting investors, setting up hotlines and emails and organizing large events, which effectively met the needs of domestic and overseas investors and analysts for communication with the Bank. At the same time, the Bank actively promoted its 2018-2020 Development Plan, publicized its business strategies on accelerating business transformation, strengthening risk prevention and control and consolidating its development foundation, so as to upgrade the level and quality of its communication with the capital market and increase investor recognition of the Bank's investment value. After disclosing its annual report and other important periodic reports, the Bank maintained close communication of the management with investors and analysts by holding results releases in Beijing and Hong Kong and other places, organizing road shows across the globe, and hosting cooperation symposiums with domestic insurance institutions and seminars with overseas institutional investors and other ways. Besides, the Bank actively broadened channels to communicate with investors, made full use of network communication and strengthened the communication and interaction with medium and small investors through methods such as online briefings on cash dividend distribution and collective reception day for investors in Beijing-based companies listed on SSE. During the reporting period, the Bank communicated with major institutional investors from home and abroad by nearly 400 person-times, demonstrated to the capital market the positive energy of the Bank's business development, and gained continuous attention from the market. The overall results were impressive. During the reporting period, the Bank was recognized as the "Most Trustworthy Listed Company" at the second Most Trustworthy Listed Company among Investors selection event organized by the website cnr.cn.

During the reporting period, the Bank dynamically monitored changes in shareholders' shareholdings, viewpoints of market research reports, its stock prices and market value, and capital market sentiment, continued to conduct in-depth research and survey of the capital market, and made timely accurate reports on relevant important information to the senior management and regulatory authorities. These efforts conveyed useful market opinions to the Bank and effectively promoted the virtuous interaction between business operation and the capital market. The Bank continued to implement the Provisional Measures for Equity Management of Commercial Banks and the supporting regulatory requirements thereof promulgated by the CBIRC, coordinated with its substantial shareholders to improve equity management, formulated and implemented the measures for equity pledge management of the Bank, further enhancing its equity management.

9.18 Information Disclosure and Management of Insider Information

The Bank attached great importance to information disclosure and management of insider information. It published periodic reports and interim announcements in strict compliance with the legal and regulatory provisions on information disclosure required by its listing venues. During the reporting period, the Bank published over 300 periodic reports, interim announcements and other documents at the SSE and the SEHK, totaling 5 million words. The Bank kept improving the framework and contents of its periodic reports by increasing voluntary disclosure of information on topical investor concerns and focusing more on the market. At the same time, the Bank disclosed more voluntary interim announcements orderly, published timely preliminary annual results, rationally guided market expectations, and provided investors with timely, adequate and effective information. During the reporting period, in its annual assessment of listed companies' information disclosure work, the SSE gave the Bank the highest rating – Class A for the third consecutive year.

During the reporting period, the Bank continuously refined its management of information disclosure, and strengthened the process and quality control. The Bank boosted internal and external communication, and made scientific disclosure plans by preparing the tables for disclosure items, consolidating the foundation for announcement compliance and ensuring the orderly completion of all disclosure works. At the same time, the Bank managed insider information and insiders in strict accordance with the regulatory requirements of the listing venues and its own regulations. Specifically, it kept improving its management mechanism for insider information, actively carried out relevant training, raised the compliance awareness of insiders, and properly registered insider information and insiders at critical time points, so as to prevent the risks of insider information divulgence and insider trading. During the reporting period, through self-investigation, the Bank was not aware of any circumstance where any insider traded the Bank's shares by virtue of insider information.

9.19 Management of Related Party Transactions

During the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the regulatory requirements of the CBIRC, the CSRC, the SSE and the SEHK. In combination with the regulatory policy trends and the management requirements, further efforts were made to optimize its rules and mechanism for such management. As a result, the Bank was able to raise the awareness for compliance of related party transactions, upgrade the efficiency and degree of refinement and IT application in the management of related party transactions, promote the creation of synergistic value and shareholder value under the premise of compliance, and effectively protect the interests of shareholders and investors.

The Bank upheld its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the senior management, and division of duties among business units. The Bank effectively performed their obligations of reviewing and disclosing related party transactions, submitted material related party transactions to the Audit and Related Party Transactions Control Committee for review and to the Board of Directors for deliberation on a case-by-case basis, and disclosed such transactions and filed them with the CBIRC and the Board of Supervisors of the Bank for record, in strict compliance with relevant requirements on the management of related party transactions. The Audit and Related Party Transactions Control Committee under the Board of Directors consisted fully of independent non-executive directors who carried out preliminary review of material related party transactions and expressed independent opinions thereabout on behalf of minority shareholders to ensure that such transactions were made pursuant to internal approval procedures and in a fair manner on terms no more favorable than those available to independent third parties and in the overall interests of the Bank and all of its shareholders.

During the reporting period, the Bank conducted related party transactions in an orderly manner in strict compliance with various provisions in the light of policy trends and regulatory requirements, guided by the concept of “returning to original purposes of regulation and creating value through compliance”. The Bank systematically sort out and revised the management measures for related party transactions of the Bank, optimized the management process and specified the division of responsibilities, hence cementing the policy foundation for compliance management of related party transactions. What’s more, the Bank actively improved the communication and collaboration mechanism with substantial shareholders, identified related parties in a look-through manner, comprehensively collected information on relevant parties of substantial shareholders, dynamically updated the list of related parties of the Bank, and effectively managed related party transactions. The Bank further optimized the review and reporting mechanism for related party transactions by the Board of Directors by enhancing the depth, breadth and refinement of reporting, which enhanced the assessment of transaction reasonableness and avoided improper transfer of interests. Through organizing and carrying out the self-inspection and rectification of related party transactions, the Bank strengthened the precision and continuity of self-inspection, investigated risks across the Bank to identify problems in a timely manner, and actively rectified problems, which contributed to continuous improvement in its management of related party transactions. The Bank also continuously improved the refined and IT-based management of related party transactions, and effectively controlled the transaction limit and annual upper limit of related party transactions between the Bank and substantial shareholders and their related parties. The Bank deepened the awareness of related party transaction compliance, provided training on related party transaction management through multiple channels, and prepared a manual on related party transaction management compliance, thereby ensuring that its related party transactions were made in an orderly and compliant manner.

9.20 Internal Control Assessment

The purpose of the Bank's internal control is to reasonably ensure the lawfulness and compliance of business and management, safety of assets, and truthfulness and completeness of financial reports and other relevant information, improve business efficiency and effectiveness, and promote the implementation of the development strategy. The Board of Directors authorized the internal audit function to self-assess the effectiveness of the internal control design and operation of the Bank in accordance with relevant requirements such as the Basic Standards for Enterprise Internal Control, Guidelines for Assessment of Enterprise Internal Control and Guidelines for Internal Control of Commercial Banks, and in combination with the Bank's rules and assessment measures on internal control. The internal audit function produced the 2019 Internal Control Assessment Report of China CITIC Bank Corporation Limited ("the Internal Control Assessment Report"), holding that the Bank's internal control was valid as at 31 December 2019 (record date). In the course of the self-assessment exercise, the Bank was not aware of any material defects in its internal control. The Board of Supervisors of the Bank reviewed the Internal Control Assessment Report and had no objections to the content of the report.

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on the disclosure date of this report for the Internal Control Assessment Report (including the statements of the Board of Directors and the Board of Supervisors on their respective responsibilities in relation to internal control).

9.21 Development of Internal Control and Major Measures Adopted

The Bank included operational compliance as part of its 2018-2020 Development Plan of China CITIC Bank and explicitly required the bank-wide internal control and compliance management to do a good job in the following three aspects: comprehensive risk management, internal control compliance and fraud case prevention, and implementation of regulatory policies. At the same time, it worked hard to cultivate a sound risk culture and build up the awareness of operational compliance among the Bank. By adopting eight measures (building systems, creating mechanisms, putting in place processes, adjusting structures, controlling risks, strengthening compliance, highlighting innovation, and bolstering up internal strengths), it effectively adapted to the complicated business environment, and fulfill the management objective of "Safe CITIC".

At the same time, it promoted the "413 Compliance Action"[35] from multiple dimensions continuously, including strengthening institutional development, implementing rectification of problems, holding violations accountable more strictly, and tightening supervisory inspections. By institutional development, employee behavior management, consolidation of chaos rectification results, and addressing the problems of repeated violation and revelation in investigations, the Bank advocated the operational compliance and steady development, and comprehensively upgraded the level of internal control and compliance management across the Bank. It improved the key links of internal control management, applied compliance manuals into wider fields, and pushed forward the management mode that made clear the "red lines, negative lists, and penalty criteria".

35 Under the "413 Compliance Action", the Bank carried out 4 special actions, i.e., "escort action" for rule implementation, "demining action" for behavior management, "sword action" for chaos rectification, and "governance action" for repeated investigations versus repeated violations; and implemented 13 initiatives, i.e., re-examine business processes, develop compliance manuals, strengthen implementation of rules and regulations, practice the system for part-time managerial functions, curb improper trading practices, conduct flying inspections for incident prevention, boost advocacy and early warning education, supervise continuous rectification, carry out self-examination and self-correction on a rolling basis, rectify the root causes, define the compliance red lines, conduct screening for rectification, and continuously follow up assessment results.

During the reporting period, the Bank actively internalized 80 external regulatory requirements, including those on financial services for small and micro enterprises, asset custody business, account, payment and settlement, completed the revising and developing of 86 policies and measures as well as 21 normative documents, and improved or upgraded 15 system processes. By doing so, it converted the regulatory requirements into internal policies and standards in a timely manner, and made sure that these regulatory policies could be put into operation efficiently. Besides, more than 18,000 people accumulatively were trained on continuous key regulatory policies, where important regulatory requirements for such aspects as custody business guidelines and financing for small and micro enterprises were explained at length. Thanks to the training, attendees were expected to pinpoint the regulatory priorities precisely, and analyze their impacts on business. On this basis, the Bank could deepen its training and operational guidance for branches, and further act on regulatory requirements in its operation.

The Bank was first among its peers that introduced the 5C[36] standardized management for internal control and compliance. Aiming at improving the compliance management capabilities of institutions at primary level, the Bank formulated and issued 5C standardized management guidelines, which sets 20 internal control compliance work flows standardized and resolved by five aspects of culture, control, compliance, check and correct. What's more, considering the function positioning and characteristics of the business lines and compliance line of the Head Office and branches, and sub-branches, the Bank developed and launched the internal control and compliance 5C platform system, provided IT-based management support for more than 5,000 full-time and part-time compliance personnel across the Bank, and effectively enhanced the performance capacity of compliance management personnel at the primary level.

The Bank continued to inspect and correct the issues in relation to the market chaos rectification. Adopting a risk-based approach, it carried out self-inspections in a bid to consolidate the results of chaos rectification and strengthen the internal control management, re-examined key processes of important businesses, and helped branches to identify their internal control deficiencies and fraud case prevention risks. At the same time, measures were taken to re-examine how the internal control management processes and key link-related policies were implemented, evaluate the effectiveness of internal control management conducted by related businesses and make proper corrections. The Bank managed to conduct internal control more effectively and execute related policies more efficiently.

Besides, the Bank emphasized the requirements for a tier-one legal person management across the Bank. It put the annual authorization under the further "differentiated, standardized and meticulous" management, advocated granting of differentiated authorization to branches located in three major regions, promoted normative operation in the authorization for overseas branches, included recurrent affairs into the scope of annual authorization, and got the authorization work done in a more scientific and forward-looking way, so that it could serve the operation, management, and business development. Furthermore, it brought units on all levels under normative authorization management, adjusted related authorizations in a timely and dynamic way, and thus promoted sound business development.

Additionally, the Bank kept conducting the "early warning education" campaigns across the Bank, so as to circulate and analyze typical cases and severe violations across the Bank. It carried out investigation and rectification campaign for illegal fund-raising risk in 37 tier-1 branches, helping all employees raise their awareness of risk and compliance. It continued to roll out the "Top Leaders Talk about Cases", WeChat learning for compliance department heads of the branches, and other themed activities, and hosted the "Risk, Compliance and Anti-Money Laundering" knowledge competition, with a view to raising the awareness of risk among all employees, advocating the strict compliance with red lines of compliance and bottom lines of risk management, promoting business units toward operational compliance, encouraging personnel at all levels to be clean, honest and self-disciplined, and establishing a longstanding compliance management mechanism.

[36] 5C refers to culture, control, compliance, check and correct.

9.22 Internal Audit

In accordance with its work objective of "promoting audit toward transformation and enhancing auditing value", pursuant to the overall arrangements set out in the 2018-2020 Development Plan and the "8100 Project", and with the guidance of the Audit Department's Implementation Program for the New Three-year Plan (2018-2020), the Bank's internal audit conducted strict audits, strengthened management, expanded the audit scope, stepped up efforts in audit supervision and evaluation, and boosted the application of audit results, thereby giving full play to its supervisory role as the third line of defense and effectively assuring the robust development of its operation and management and other businesses.

During the reporting period, the Bank focused on the implementation of financial policies on the national level, regulatory requirements, and strategies on the Head Office level. Given the new conditions and changes, it reinforced the supervision over key units, key risk areas, key operational and managerial components, and personnel at key posts. With regard to credit business, the Bank carried out special audits on classification of assets by quality, inclusive finance, asset management and consolidated management. As for finance, it also conducted special audits on performance-based remunerations. What's more, the Bank launched special audits on capital adequacy ratios, market risk management system and other risk fields as well as comprehensive audits on many branches, and kept tracking the internal control risk position under the complicated operating environment. At the same time, it worked harder to find out the causes of exposed issues, exposed the problems existing on the design and execution levels of internal control, and raised valuable management recommendations.

9.23 External Audit of Internal Control

During the reporting period, the Bank engaged PricewaterhouseCoopers Zhong Tian LLP to audit the effectiveness of its internal control over financial reporting as at 31 December 2019 in accordance with the relevant requirements of the Guidelines on Audit of Enterprise Internal Control and the practicing standards for PRC certified public accountants. Based on the audit findings, PricewaterhouseCoopers Zhong Tian LLP presented to the Bank its audit report on internal control. For details thereof, please refer to the announcement published by the Bank on the websites of SSE (http://www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

In its audit opinion on internal control over financial reporting of the Bank, PricewaterhouseCoopers Zhong Tian LLP was of the view that the Bank maintained effective internal control over financial reporting in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and relevant regulations as at 31 December 2019.

9.24 Auditors and Their Remunerations

With regard to the auditors engaged by the Bank for the reporting period and their remunerations, please refer to Chapter 4 "Significant Events – Engagement of Auditors" of this report for details thereof.

PricewaterhouseCoopers was the overseas auditor engaged by the Bank for the reporting period. Its statement of reporting obligation in respect of the consolidated financial statements is set out in Chapter 11 "Independent Auditor's Report and Audited Financial Statements" of this report.

9.25 Responsibility Statement of the Board of Directors on Risk Management, Internal Control and Compliance Management

The Board of Directors bears the ultimate responsibility for the Bank's risk management, internal control and compliance management and is responsible for reviewing the effectiveness of the regulations thereon. In consideration that the above-mentioned risk management and internal control systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only provide reasonable instead of absolute assurance that the above-mentioned systems and internal control can prevent any material misstatement or loss. For details on the Bank's risk management, please refer to Chapter 3 "Management Discussion and Analysis – Risk Management" of this report.

Chapter 10 Report of the Board of Supervisors

10.1 Information on the Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors convened 11 meetings where it deliberated 23 proposals, including those respectively regarding the Bank's periodic reports, profit distribution plan, internal control assessment report, sustainable development report, annual assessment report on the performance of duties, and internal assessment of capital adequacy being studied and reviewed; and the Board of Supervisors listened to 43 presentations, including those respectively regarding the Bank's report on operating results, report on total risk management, report on internal control and compliance, rectification of regulatory issues notified by the CBIRC, anti-money laundering work, data governance, stress testing and large exposures management. Based on comments and suggestions of supervisors, the Board of Supervisors issued seven Supervision Work Letters in the year to relevant business units for research and feedback, and submitted them to the Board of Directors and the senior management, which helped further improve the closed-loop management mechanism for meetings, making the meeting-related work of the Board of Supervisors more standardized and effective, and enhancing the interaction of bodies involved in corporate governance. In addition, the Board of Supervisors attended all on-site meetings of the Board of Directors and some of the meetings of the specialized committees of the Board of Directors as non-voting delegates to ensure adequate supervision over the decision-making process on the Bank's significant events. Meanwhile, it carried out supervisory inspections of the Bank's operation and management activities by attending senior management meetings as non-voting delegates and reviewing various documents and information submitted by the management.

During the reporting period, the Board of Supervisors conducted thematic surveys on credit authorization management, internal control and compliance of overseas institutions, case prevention and employee behavior management, and went to CITIC aiBank and some branches to survey their operation and development, covering a total of eight branches and subsidiaries. The Board of Supervisors further improved the effectiveness of surveys through careful preparations, well-planned survey schedule and comprehensive survey summary, reflected on bank-wide, overall, systemic and institutional problems based on individual surveys, and put forward more systematic suggestions with pertinence and independence. In response to the complicated and severe external financial situations in recent years and the continuous pressure on asset quality of the Bank, the Board of Supervisors conducted the first inquiry on credit asset quality and write-off of non-performing assets, communicated with relevant departments in depth, and prepared a special inquiry report. While pointing out the problems and analyzing their causes, the Board of Supervisors put forward constructive suggestions and contributed their wisdom to pushing the Bank's high-quality and sustainable development.

During the reporting period, the Board of Supervisors further strengthened the top-level design, and kept improving system and mechanism construction by revising the *Rules of Procedures of the Board of Supervisors of China CITIC Bank Corporation Limited, the Measures for Assessment of the Duty Performance of the Board of Directors, the Board of Supervisors and the Senior Management by the Board of Supervisors of China CITIC Bank Corporation Limited and the Measures for Assessment of the Duty Performance of Directors, Supervisors and Senior Management Members by the Board of Supervisors of China CITIC Bank Corporation Limited*, among others. In addition, the Board of Supervisors elected a new employee representative supervisor, actively participated in various training, and further strengthened its own development.

The attendance records of the members of the Board of Supervisors at the meetings during the reporting period are set out in the table below:

Supervisors	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Liu Cheng	11/11	0/11
Deng Changqing	8/11	3/11
Wang Xiuhong	8/11	3/11
Jia Xiangsen	9/11	2/11
Zheng Wei	11/11	0/11
Li Gang	5/5	0/5
Chen Panwu	9/11	2/11
Zeng Yufang	10/11	1/11

Note: During the reporting period, before his departure as supervisor, Mr. Cheng Pusheng attended 1 meeting in person and 4 meetings by proxy among these 5 total meetings taken place during his tenure.

During the reporting period, all the three external supervisors of the Bank were able to exercise their supervisory duties independently, and worked in the Bank for more than 15 working days, meeting regulatory requirements. By attending meetings of the Board of Supervisors, participating in the meetings of the Board of Directors and its specialized committees as non-voting attendees, and joining the thematic surveys of the Board of Supervisors and other activities, external supervisors actively learned about the Bank's operation and management status, carefully studied various proposals and special reports, and put forward suggestions on major events of the Bank, thereby playing an important role in fulfilling the supervisory responsibilities of the Board of Supervisors.

10.2 Specialized Committees under the Board of Supervisors

The Supervision Committee and the Nomination Committee are the specialized committees set up under the Board of Supervisors.

10.2.1 Supervision Committee

As at the end of the reporting period, the Supervision Committee of the Bank's Board of Supervisors comprised 4 supervisors, with Mr. Jia Xiangsen as chairman, and Mr. Zheng Wei, Mr. Li Gang and Ms. Zeng Yufang as members. Primary responsibilities of the committee include the following: to supervise the Board of Directors in the establishment of prudent business concepts and value propositions and the formulation of development strategies consistent with the Bank's real situations, and to carry out supervisory inspections of the Bank's business decisions, financial activities, risk management and internal control.

During the reporting period, the Supervision Committee under the Board of Supervisors convened 4 meetings which deliberated and adopted 13 proposals including those respectively regarding the Bank's periodic reports, profit distribution plan, internal control assessment report and sustainable development report, etc. The attendance records of the Supervision Committee members at the committee meetings during the reporting period are set out in the table below:

Incumbent members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Jia Xiangsen	4/4	0/4
Zheng Wei	4/4	0/4
Li Gang	0/0	0/0
Zeng Yufang	4/4	0/4

Note: During the reporting period, before his departure as Supervision Committee member of the Bank, Mr. Cheng Pusheng attended 1 meeting in person and 1 meeting by proxy among these 2 total meetings taken place. Upon election by the 15th meeting of the 5th session of the Board of Supervisors of the Bank convened on 17 October 2019, Supervisor Li Gang started to serve as a member of the Supervision Committee under the 5th session of the Board of Supervisors. From the date Mr. Li Gang served as a member of the Supervision Committee to the end of the reporting period, the Bank had not held a meeting of the Supervision Committee of the Board of Supervisors.

10.2.2 Nomination Committee

As at the end of the reporting period, the Nomination Committee of the Bank's Board of Supervisors comprised 3 supervisors, with Ms. Wang Xiuhong as chairperson, and Mr. Deng Changqing and Mr. Chen Panwu as members. Principal responsibilities of the committee include the following: to draft procedures and standards on selecting and appointing candidate supervisors to be elected by the general meeting, and to carry out preliminary review of the qualifications for office of such candidate supervisors and put forward corresponding recommendations. The employee representative supervisors of the Bank are democratically elected or dismissed by employees of the Bank.

During the reporting period, the Nomination Committee of the Board of Supervisors convened 2 meetings which deliberated and adopted 5 proposals including the proposal regarding the assessment report regarding the performance of duties on the Board of Directors, the Board of Supervisors and the senior management and their members. The attendance records of the Nomination Committee members at the committee meetings during the reporting period are set out in the table below:

Incumbent members	In-person attendance/ number of meetings	Attendance by proxy/ number of meetings
Wang Xiuhong	2/2	0/2
Deng Changqing	2/2	0/2
Chen Panwu	2/2	0/2

10.3 Independent Opinions of the Board of Supervisors on Relevant Matters

10.3.1 Compliance of Business Operation

The Bank conducted its business according to relevant laws, and its decision-making process complies with relevant requirements of laws, regulations and the Bank's Articles of Association. Neither breach of laws, regulations or the Bank's Articles of Association nor behavior that would impair the interests of the Bank and shareholders were identified on part of the directors or senior management members in their duty performing.

10.3.2 Truthfulness of the Financial Report

The compilation and review process of the financial report is compliant with laws, administrative regulations and regulatory provisions and no misrepresentation, distortion or material defect was identified in the report.

10.3.3 Use of Proceeds

During the reporting period, the Bank's use of the proceeds was consistent with the purposes stated in its prospectuses.

10.3.4 Acquisition and Disposal of Assets

During the reporting period, the Board of Supervisors was not aware of any acquisition or disposal of assets by the Bank that might impair shareholder rights and interests or result in loss of the Bank's assets or constitute insider trading.

10.3.5 Related Party Transactions

During the reporting period, the Board of Supervisors was not aware of any related party transactions that might impair the interests of the Bank and its shareholders.

10.3.6 Implementation of Resolutions Adopted at the General Meetings

The Board of Supervisors had no objections to the reports and proposals that the Board of Directors submitted to the general meetings for deliberation in 2019. The Board of Supervisors supervised the implementation of the resolutions adopted at the general meetings and held that the Board of Directors diligently implemented the relevant resolutions of the general meetings.

10.3.7 Internal Control

The Board of Supervisors deliberated and approved the *2019 Internal Control Assessment Report of China CITIC Bank Corporation Limited*.

10.3.8 Sustainable Development Report

The Board of Supervisors deliberated and approved the *2019 Sustainable Development Report of China CITIC Bank Corporation Limited*.

10.3.9 Profit Distribution Plan

The Board of Supervisors deliberated and approved the *2019 Profit Distribution Plan of China CITIC Bank Corporation Limited*. And the Board of Supervisors was of the opinion that *the 2019 Profit Distribution Plan of China CITIC Bank Corporation Limited* complied with relevant laws, regulations and the *Articles of Association* of the Bank, and the content was reasonable, in line with the interests of all shareholders and conducive to the long-term development of the Bank.

10.3.10 Dividend Distribution Plan for Preference Shares

The dividend distribution plan for preference shares of the Bank complied with applicable laws and regulations, the Bank's Articles of Association and the terms of issuance for the preference shares.

10.3.11 Implementation of the Regulations on Management of Information Disclosure

The Bank performed its information disclosure obligations in strict accordance with relevant regulatory requirements, earnestly implemented various regulations on the management of information disclosure matters, and disclosed information in a timely and fair manner. The information disclosed during the reporting period was truthful, accurate and complete.

Except for the above disclosed matters, the Board of Supervisors had no objections to other supervisory issues during the reporting period.

To the Shareholders of China CITIC Bank Corporation Limited

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

Opinion

What we have audited

The consolidated financial statements of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 1 to 206, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities – Non-principal guaranteed wealth management products
- De-recognition of financial assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments	
Refer to Note 4(c), Note 5(i), Note 22 and Note 23 to the consolidated financial statements. As at 31 December 2019, gross loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the CITIC Bank's consolidated balance sheet, amounted to RMB4,001,176 million, for which the management recognized an impairment allowance of RMB115,956 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,559,790 million, for which the management recognized an impairment allowance of RMB8,407 million. The balances of loss allowances for the loans and advances to customers and financial investments represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments expected credit losses models.	We evaluated and tested the design and operational effectiveness of the internal controls relating to the measurement of ECL for loans and advances to customers, and financial investments, primarily including: • Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models; • Internal controls relating to significant management judgments and assumptions, including the review and approval of model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired loans, and forward-looking measurement; • Internal controls over the accuracy and completeness of key inputs used by the models; • Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances and financial investments in stage 3; • Internal controls over the information systems for model-based measurement.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. For corporate loans and advances and financial investments classified into stages 1 and 2, and all personal loans, the management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and advances and financial investments in stage 3, the management assesses loss allowance by estimating the cash flows from the loans. The measurement models of ECL involves significant management judgments and assumptions, primarily including the following: (1) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;	The substantive procedures we preformed primarily included: We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the models selection, key parameters estimation, significant judgements and assumptions in relation to the models. We tested whether or not the measurement models reflect the modelling methodologies documented by the management on a sample basis. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired loans. For forward-looking measurement, we reviewed the management's model analysis of their selection of economic indicators, economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic indicators, economic scenarios and weightings. In addition, we assessed the reasonableness of the selection of significant uncertain factors, its application and measurement in the management overlay adjustments, and examined the accuracy of the relevant mathematical calculations.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments (continued)	
(2) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (3) Management overlay adjustments due to significant uncertain factors not covered in the models; (4) The estimated future cash flows for corporate loans and advances and financial investments in stage 3. The Group established governance processes and controls for the measurement of ECL. For measuring ECL, the management adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the exposures of the loans and advances to customers and financial investments, the loss allowance and provision accrued involve significant amounts. In view of these reasons, we identified this as a key audit matter.	We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. We also performed walk-through testing and reconciliation of the transmission of major data inputs between the models' measurement engines and the information systems, to verify their accuracy and completeness. For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance. Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of ECL for loans and advances to customers, and financial investments, the models, key parameters, significant judgements and assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products	
Refer to Note 4(a), Note 5(vii) and Note 59 to the consolidated financial statements. As at 31 December 2019, non-principal guaranteed wealth management products issued and managed by the group involved structured entities, and amounts for structured entities included in the consolidation scope and those not included were disclosed in Note 5 (vii)and Note 59 respectively. Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment and judgment made by management involving the structured entities for non-principal guaranteed WMPs during our audit, as whether or not to consolidate these entities involved significant judgment.	We evaluated and tested the design and operating effectiveness of management's relevant controls over the consolidation of structured entities for non-principal guaranteed WMPs. These controls primarily included the review and approval of the contractual terms, the results in variable return calculations, and the consolidation assessment conclusions for these structured entities. We selected samples of structured entities for non-principal guaranteed WMPs and performed the following tests: • assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities; • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; • assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group's decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties. • evaluated and examined on the appropriateness of disclosures relating to structured entities in the consolidated financial statements. Based on the procedures performed above, we found management's judgement relating to the consolidation and disclosure of structured entities for non-principal guaranteed WMPs acceptable in all material respects.

Key Audit Matter	How our audit addressed the Key Audit Matter
De-recognition of Financial Assets	
Refer to Note 4 (c), Note 5 (vi) and Note 60 to the consolidated financial statements. During the year ended 31 December 2019, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, and transfers of non-performing loans. Management analysed the Group's contractual rights and obligations in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred by using models to determine whether the de-recognition criteria were met. Where necessary, the Group assessed whether it had relinquished its control over the transferred financial assets to determine whether the de-recognition criteria were met. The de-recognition assessment relating to the transfer of financial assets involved significant judgment from management, and as such, we focused our audit on the de-recognition of these financial assets.	We evaluated and tested the design and operating effectiveness of the relevant controls over transfers of financial assets, including the review and approval of the structure designs and contractual terms of the transactions, the approval of models for testing the transfer of risks and rewards of ownership and the key parameters and assumptions used in the models, as well as the review and approval of management's assessment results. We selected samples and read through transaction agreements to assess the contractual rights and obligations of the Group, and whether the Group transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows, to independent third parties. We also assessed the appropriateness of the models, the parameters and assumptions, the discount rates, and the variability factors. We also tested the mathematical accuracy of the calculations. For financial assets where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, we analysed whether the Group had relinquished its controls over these financial assets, and if the Group had a continuing involvement in these transferred financial assets. Based on the procedures performed above, we found management's assessment over de-recognition of transferred financial assets acceptable.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kwong Tak.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

Chapter 11 Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

		Year ended 31 December	
	Notes	**2019**	2018
Interest income		**268,498**	241,933
Interest expense		**(141,227)**	(129,021)
Net interest income	6	**127,271**	112,912
Fee and commission income		**52,284**	42,599
Fee and commission expense		**(5,900)**	(5,591)
Net fee and commission income	7	**46,384**	37,008
Net trading gain	8	**5,229**	6,519
Net gain from investment securities	9	**8,629**	9,046
Net hedging loss	10	**(2)**	(1)
Other operating income		**370**	282
Operating income		**187,881**	165,766
Operating expenses	11	**(54,168)**	(52,600)
Operating profit before impairment		**133,713**	113,166
Credit impairment losses	12	**(76,679)**	(57,886)
Impairment losses on other assets	13	**(576)**	(347)
Revaluation gain on investment properties		**(15)**	35
Share of loss of associates and joint ventures		**102**	(642)
Profit before tax		**56,545**	54,326
Income tax expense	14	**(7,551)**	(8,950)
Profit for the Year		**48,994**	45,376
Net profit attributable to:			
Equity holders of the Bank		**48,015**	44,513
Non-controlling interests		**979**	863
Profit for the year		**48,994**	45,376
Other comprehensive income, net of tax:	15		
Items that will not be reclassified to profit or loss (net of tax):			
— Net changes on the measurement of defined benefit plan		**—**	7
— Fair value changes on financial investments designated at fair value through other comprehensive income		**(789)**	11
— Fair value changes on transfers from owner-occupied property to investment property		**—**	65
Items that may be reclassified subsequently to profit or loss (net of tax):			
— Other comprehensive income transferable to profit or loss under equity method		**—**	(10)
— Fair value changes on financial assets at fair value through other comprehensive income		**1,714**	10,040
— Impairment allowance on financial assets at fair value through other comprehensive income		**685**	140
— Exchange difference on translating foreign operations		**592**	2,209
Other comprehensive income, net of tax	15	**2,202**	12,462
Total comprehensive income for the year Total		**51,196**	57,838
Total comprehensive income attribute to:			
Equity holders of the Bank		**50,107**	57,022
Non-controlling interests		**1,089**	816
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	16	**0.95**	0.88
Diluted earnings per share (RMB)		**0.89**	0.88

The accompanying notes form an integral part of these consolidated financial statements.

Chapter 11 Consolidated Statement of Financial Position

As at 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**31 December 2019**	31 December 2018
Assets			
Cash and balances with central banks	17	**463,158**	538,708
Deposits with banks and non-bank financial institutions	18	**121,297**	99,153
Precious metals		**6,865**	4,988
Placements with and loans to banks and non-bank financial institutions	19	**204,547**	176,160
Derivative financial assets	20	**17,117**	31,991
Financial assets held under resale agreements	21	**9,954**	10,790
Loans and advances to customers	22	**3,892,602**	3,515,650
Financial investments	23	**1,873,596**	1,600,163
— at fair value through profit or loss	23	**317,546**	308,872
— at amortised cost		**924,234**	778,238
— at fair value through other comprehensive income		**628,780**	510,346
— designated at fair value through other comprehensive income		**3,036**	2,707
Investments in associates and joint ventures	24	**3,672**	3,881
Investment properties	26	**426**	443
Property, plant and equipment	27	**22,372**	21,385
Right-of-use assets	28	**12,390**	—
Intangible assets		**1,874**	1,879
Goodwill	29	**912**	896
Deferred tax assets	30	**32,095**	23,174
Other assets	31	**87,556**	37,453
Total assets		**6,750,433**	6,066,714
Liabilities			
Borrowings from central banks		**240,298**	286,430
Deposits from banks and non-bank financial institutions	33	**951,122**	782,264
Placements from banks and non-bank financial institutions	34	**92,539**	115,358
Financial liabilities at fair value through profit or loss		**847**	962
Derivative financial liabilities	20	**16,836**	31,646
Financial assets sold under repurchase agreements	35	**111,838**	120,315
Deposits from customers	36	**4,073,258**	3,649,611
Accrued staff costs	37	**12,132**	10,549
Taxes payable	38	**8,865**	4,920
Debt securities issued	39	**650,274**	552,483
Lease liabilities		**10,896**	—
Provisions	40	**6,116**	5,013
Deferred tax liabilities	30	**10**	16
Other liabilities	41	**42,878**	54,061
Total liabilities		**6,217,909**	5,613,628

As at 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	31 December 2019	31 December 2018
Equity			
Share capital	42	**48,935**	48,935
Other equity instruments	43	**78,083**	34,955
Capital reserve	44	**58,977**	58,977
Other comprehensive income	45	**7,361**	5,269
Surplus reserve	46	**39,009**	34,450
General reserve	47	**81,535**	74,255
Retained earnings	48	**203,411**	179,820
Total equity attributable to equity holders of the Bank		**517,311**	436,661
Non-controlling interests	49	**15,213**	16,425
Total equity		**532,524**	453,086
Total liabilities and equity		**6,750,433**	6,066,714

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on Mar 26th 2020.

Li Qingping
Legal Representative
(Chairperson)

Fang Heying
Executive Director,
President and Chief Financial Officer

Li Peixia
General Manager of
Finance Department

Company stamp

Chapter 11 Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 31 December 2018/1 January 2019		**48,935**	**34,955**	**58,977**	**5,269**	**34,450**	**74,255**	**179,820**	**7,933**	**8,492**	**453,086**
(i) Net profit		**–**	**–**	**–**	**–**	**–**	**–**	**48,015**	**509**	**470**	**48,994**
(ii) Other comprehensive income	15	**–**	**–**	**–**	**2,092**	**–**	**–**	**–**	**110**	**–**	**2,202**
Total comprehensive income		**–**	**–**	**–**	**2,092**	**–**	**–**	**48,015**	**619**	**470**	**51,196**
(iii) Issuing of other equity instruments											
– Convertible corporate bonds		**–**	**3,135**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,135**
– Undated capital bonds		**–**	**39,993**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**39,993**
– Redemption of other equity instruments		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,825)**	**(1,825)**
(iv) Profit appropriations											
– Appropriations to surplus reserve	46	**–**	**–**	**–**	**–**	**4,559**	**–**	**(4,559)**	**–**	**–**	**–**
– Appropriations to general reserve	47	**–**	**–**	**–**	**–**	**–**	**7,280**	**(7,280)**	**–**	**–**	**–**
– Dividend distribution to ordinary shareholders of the Bank	48	**–**	**–**	**–**	**–**	**–**	**–**	**(11,255)**	**–**	**–**	**(11,255)**
– Dividend distribution to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**
– Dividend distribution to preference shareholders holders	48	**–**	**–**	**–**	**–**	**–**	**–**	**(1,330)**	**–**	**–**	**(1,330)**
– Dividend distribution to other equity instruments holders	49	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(470)**	**(470)**
As at 31 December 2019		**48,935**	**78,083**	**58,977**	**7,361**	**39,009**	**81,535**	**203,411**	**8,546**	**6,667**	**532,524**

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 31 December 2017		48,935	34,955	58,977	(11,784)	31,183	74,251	163,121	7,646	5,149	412,433
Change in accounting policy	3(c)	–	–	–	4,544	(939)	–	(9,502)	(235)	–	(6,132)
As at 1 January 2018		48,935	34,955	58,977	(7,240)	30,244	74,251	153,619	7,411	5,149	406,301
(i) Net profit		–	–	–	–	–	–	44,513	574	289	45,376
(ii) Other comprehensive income	15	–	–	–	12,509	–	–	–	(47)	–	12,462
Total comprehensive income		–	–	–	12,509	–	–	44,513	527	289	57,838
(iii) Contribution by non-controlling shareholders	49	–	–	–	–	–	–	–	–	3,343	3,343
(iv) Profit appropriations											
– Appropriations to surplus reserve	46	–	–	–	–	4,206	–	(4,206)	–	–	–
– Appropriations to general reserve	47	–	–	–	–	–	4	(4)	–	–	–
– Dividend distribution to ordinary shareholders of the Bank	48	–	–	–	–	–	–	(12,772)	–	–	(12,772)
– Dividend distribution to preference shareholders of the Bank	48	–	–	–	–	–	–	(1,330)	–	–	(1,330)
– Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(5)	–	(5)
– Dividend distribution to other equity instruments holders	49	–	–	–	–	–	–	–	–	(289)	(289)
As at 31 December 2018		48,935	34,955	58,977	5,269	34,450	74,255	179,820	7,933	8,492	453,086

The accompanying notes form an integral part of these consolidated financial statements.

Chapter 11 Consolidated Statement of Cash Flows

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Year ended 31 December	
	2019	2018
Operating activities		
Profit before tax	**56,545**	54,326
Adjustments for:		
— revaluation gain on investments, derivatives and investment properties	**373**	2,825
— investment gain	**(7,829)**	(7,897)
— net loss gain on disposal of property, plant and equipment, intangible assets and other assets	**(3)**	(363)
— unrealised foreign exchange (gain)/loss	**(323)**	8
— credit impairment losses	**76,679**	57,886
— impairment losses on other assets	**576**	347
— depreciation and amortisation	**2,821**	2,942
— interest expense on debt securities issued	**22,186**	22,416
— dividend income from equity investment	**(65)**	(320)
— depreciation of right-of-use assets and interest expense on lease liabilities	**3,793**	—
— income tax paid	**(13,503)**	(15,875)
Subtotal	**141,250**	116,295
Changes in operating assets and liabilities:		
Decrease in balances with central banks	**44,865**	68,403
(Increase)/decrease in deposits with banks and non-bank financial institutions	**(70,522)**	3,159
(Increase)/decrease in placements with and loans to banks and non-bank financial institutions	**(18,513)**	42,501
Decrease in investments in financial assets held for trading purposes	**29,279**	17,850
Decrease in financial assets held under resale agreements	**788**	43,837
Increase in loans and advances to customers non-bank financial institutions	**(440,025)**	(450,950)
Increase/(decrease) in deposits from banks and non-bank financial institutions	**170,271**	(19,990)
(Decrease)/increase in borrowings from central banks	**(44,840)**	43,980
(Decrease)/increase in placements from banks and non-bank financial institutions	**(23,227)**	36,480
(Decrease)/increase in financial liabilities at fair value through profit or loss	**(243)**	958
Decrease in financial assets sold under repurchase agreements	**(8,467)**	(14,229)
Increase in deposits from customers	**417,812**	196,044
(Increase)/decrease in other operating assets	**(71,776)**	6,721
(Decrease)/increase in other operating liabilities	**(9,683)**	11,257
Subtotal	**(24,281)**	(13,979)
Net cash flows from operating activities	**116,969**	102,316

Chapter 11 Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Year ended 31 December **2019**	2018
Investing activities			
Proceeds from disposal and redemption of investments		**1,940,528**	1,396,004
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**399**	1,154
Cash received from equity investment income		**373**	320
Payments on acquisition of investments		**(2,190,629)**	(1,535,459)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(4,056)**	(4,754)
Net cash paid for acquisition of associates and joint ventures	24	**—**	(1,838)
Net cash received from disposal of associates		**321**	—
Net cash flows used in investing activities		**(253,064)**	(144,573)
Financing activities			
Cash received from debt securities issued	39	**586,270**	922,161
Cash received from other equity instruments issued	49	**39,993**	3,343
Cash paid for redemption of debt securities issued		**(486,792)**	(815,230)
Interest paid on debt securities issued		**(22,829)**	(21,836)
Dividends paid		**(13,052)**	(14,396)
Principle and interest paid for leasing liabilities		**(3,011)**	—
Net cash flows from financing activities		**100,579**	74,042
Net increase/(decrease) in cash and cash equivalents		**(35,516)**	31,785
Cash and cash equivalents as at 1 January		**376,009**	337,915
Effect of exchange rate changes on cash and cash equivalents		**1,956**	6,309
Cash and cash equivalents as at 31 December	50	**342,449**	376,009
Cash flows from operating activities include:			
Interest received		**272,968**	220,101
Interest paid		**(119,236)**	(113,272)

The accompanying notes form an integral part of these consolidated financial statements.

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing, China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

The Bank operates under financial services certificate No. B0006H111000001 issued by the China Banking Insurance Regulatory Commission (the "CBIRC", originally named China Banking Regulatory Commission), and unified social credit code No. 911100001016 90725E issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, finance leasing and other non-banking financial services.

As at 31 December 2019, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong") and other overseas countries and regions.

For the purpose of these consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated financial statements were approved by the Board of Directors of the Bank on 26 March 2020.

2 Basis of preparation

These consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements for the year ended 31 December 2019 comprise the Bank and its subsidiaries, associates and joint ventures.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Functional currency and presentation currency

The functional currency of the Bank is Renminbi ("RMB"). The functional currencies of overseas subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into Renminbi for the preparation of the consolidated financial statements according to Note 4 (b)(ii). The consolidated financial statements of the Group are presented in Renminbi and, unless otherwise stated, expressed in millions of Renminbi.

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and at fair value through other comprehensive income, and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(a) Standards and amendments effective in 2019 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current year. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 3, IFRS 11, IAS 12 and IFRS 11, IAS 12 and IAS 23	IASB Annual Improvements to IFRSs (2015 — 2017 Cycle)
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Employee Benefits' Regarding Plan Amendment, Curtailment or Settlement

The new accounting policies of IFRS 16 – Leases and their impacts are disclosed in Note 3 (c) Changes in accounting policies. The adoption of the other new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and revised IFRSs and IFRS interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective.

		Effective for the year beginning on/after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The effective date has been postponed.

3 Principle accounting policies (Continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (Continued)

Amendments to IFRS 10 and IAS 28- Sale or contribution of assets between an investor and its associate or joint venture.

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(c) Changes in accounting policies

The Group adopted IFRS 16 Leases (hereinafter referred to as the "new leasing standard"), with the first implementation date on 1 January 2019. This represents a change in accounting policies and adjustments to the relevant amounts have been recognised in the financial statements.

According to the transition requirements of the new leasing standard, the Group did not restate the information for the comparative period. Therefore, the reclassifications and adjustments made due to the adoption of the new leasing standard are recognised in the balance sheet as at 1 January 2019, and no restatement has been made to the comparative financial statements as at 31 December 2018.

As described above, the Group only makes relevant disclosures on the current period in Note 28.

The implementation of the new leasing standard also leads to changes in the lease accounting policies of the Group as a lessee, and the specific accounting policies applicable to lessee in the current period under the new leasing standard are as follows.

3 Principle accounting policies (Continued)

(c) Changes in significant accounting policies (Continued)

Lease

A lease is a contract under which the lessor conveys to the lessee the right to use an asset for a period of time in exchange for consideration.

The Group as the lessee

The Group recognises the right-of-use assets on the commencement date of the lease term and recognises the lease liability at the present value of the lease payments that have not been paid yet. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments include fixed payments and payments to be made in the event that it is reasonably determined that the purchase option will be exercised or the lease option is terminated. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used.

The Group's right-of-use assets include leased buildings, land use right, equipments, vehicles and others. The right-of-use assets are initially measured at cost, which includes the initial measurement of the lease liability, the lease payments paid on or before the lease commencement date, and the initial direct costs, less any lease incentives received. If the Group can reasonably expect to obtain the ownership of the leased asset at the expiration of the lease term, it is depreciated over the remaining useful life of the leased asset on a straight-line basis; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, it is depreciated over the shorter period of the lease term and the remaining useful life of the leased assets on a straight-line basis. When the recoverable amount is lower than the carrying amount of an right-of-use asset, the Group writes down the carrying amount to the recoverable amount.

For short-term leases with a lease term of no more than 12 months and leases of assets with low values when new, the Group chooses not to recognise the right-of-use assets and lease liabilities. Instead, it recognises in each period the relevant rental payments in profit or loss or relevant asset costs on a straight-line basis over the lease term.

Land use rights are amortised on a straight-line basis over the respective periods of grant. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property, plant and equipment.

Impairment loss on land use rights is accounted for in accordance with the accounting policies as set out in Note 4 (l).

3 Principle accounting policies (Continued)

(c) Changes in significant accounting policies (Continued)

Lease (Continued)

The Group as the lessor

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Finance leases

Where the Group is a lessor under finance leases, an amount representing the sum of the minimum lease receipts and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment"), is included in "loans and advances to customers" on consolidated statement of financial position as a finance lease receivable. At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the net lease investment and the aggregate of their present value is recognised as unearned finance income which is included in "loans and advances to customers" as well. Unrecognised finance income under finance leases is amortised using the effective interest rate method over the lease term. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases.

Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (c)(iii).

(ii) Operating leases

Where the Group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 4 (g) except where the asset is classified as an investment property. Impairment losses are accounted in accordance with the accounting policies as set out in Note 4 (l). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 4 (s)(iv).

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(c) Changes in significant accounting policies (Continued)

(i) Adjustments due to adoption of the new leasing standard

According to the relevant provisions of the new leasing standard, the Group adjusted relevant items in the beginning financial statements as at 1 January 2019 to reflect the cumulative impact of the initial adoption of the standards.

The changes in accounting policies and why	The line items affected	Amount affected 1 January 2019
For operating lease contracts that existed before the initial adoption of the new leasing standard, the Group has adopted different methods based on the remaining lease terms: If the remaining lease term is longer than one year, the Group recognises a lease liability based on the remaining lease payments and the incremental borrowing rate on 1 January 2019, and measures the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid lease payments. If the remaining lease term is less than one year, the Group adopts a simplified method and does not recognise a right-of-use asset or a lease liability, with no significant impact on the financial statements. For operating lease contracts that existed prior to the initial adoption of the new leasing standard where the underlying assets are of low values, the Group adopts a simplified approach and does not recognise the right-of-use assets and lease liabilities, with no significant impact on the financial statements.	Right-of-use assets Lease liabilities Other assets	13,311 11,120 (2,191)

As at 1 January 2019, for the purpose of measuring lease liabilities, the Group adopted the same discount rate for lease contracts with similar characteristics. The incremental borrowing rates used were from 4.57% to 4.76%.

As at 1 January 2019, the Group adjusted unsettled minimum operating lease payments disclosed under the original leasing standard to lease liabilities under the new leasing standard. The reconciliation is as follows:

	2019
Operating lease commitments disclosed as at 31 December 2018	12,934
Discounted using the lessee's incremental borrowing rate of at the date of initial application	11,304
Add: finance lease liabilities recognised as at 31 December 2018	—
(Less): short-term leases recognised on a straight-line basis as expense	(183)
(Less): low-value leases recognised on a straight-line basis as expense	(1)
Lease liability recognised as at 1 January 2019	11,120

4 Summary of significant accounting policies

(a) Consolidated financial statements

(i) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities assumed are measured based on their carrying amounts in the financial statements of the acquiree at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against share premium in the capital reserve with any excess adjusted against retained earnings. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. The combination date is the date on which one combining enterprise obtains control of other combining enterprises.

(ii) Business combinations not involving entities under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before the business combination. Where (i) the aggregate of the acquisition date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (ii) the acquirer's interest in the acquisition date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (Note 4 (j)). If (i) is less than (ii), the difference is recognised in the consolidated statement of profit or loss for the current period. The issuance costs of equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed as incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in the consolidated statement of profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquire will be reclassified to profit or loss.

(iii) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries, as well as structured entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Bank has power, only substantive rights (held by the Bank and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

4 Summary of significant accounting policies (Continued)

(a) Consolidated financial statements (Continued)

(iii) Consolidated financial statements (Continued)

Non-controlling interest is presented separately in the consolidated statement of financial position within owners' equity. Profit or loss and total comprehensive income attributable to non-controlling equity holders are presented separately in the consolidated statement of profit or loss and other comprehensive income.

When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of equity holders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated only limited to the extent that this is no evidence of impairment.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated.

Where a subsidiary was acquired during the reporting period, through a business combination not involving enterprises under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling equity holders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the non-controlling interests are adjusted and the amount of the consideration paid or received is adjusted to capital reserve (share premium) in the consolidated statement of financial position. If the credit balance of capital reserve (share premium) is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, non-controlling interests and other related items in equity holders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when the control is lost.

If there is a difference between the accounting entity of a Group and the accounting entity of the bank or a subsidiary on measuring the same transaction, the transaction will be adjusted from the perspective of the Group.

4 Summary of significant accounting policies (Continued)

(b) Foreign currency translations

(i) Translation of foreign currency transactions

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated into Renminbi by applying the spot exchange rates at the dates of the transaction. Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the reporting date. The resulting exchange differences are recognised in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rate at the date the fair value is determined. The differences arising from the translation of financial assets at fair value through other comprehensive income is recognised in other comprehensive income. Changes in the fair value of monetary assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. The translation differences resulting from other monetary assets and liabilities are recognised in the consolidated statement of profit or loss.

(ii) Translation of financial statements denominated in foreign currency

Financial statements denominated in foreign currency are translated into Renminbi for the preparation of consolidated financial statements. The assets and liabilities in the financial statements denominated in foreign currency are translated into Renminbi at the spot exchange rates prevailing at the reporting date. The equity items, except for "retained earnings", are translated to Renminbi at the spot exchange rates at the dates on which such items arose. Income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. The resulting exchange differences are recognised in other comprehensive income.

Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in equity holders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows.

(c) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell asset.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(i) Initial recognition and classification of financial instruments

Financial assets

Financial assets are classified on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost

The business model adopted by the Group for managing its financial assets refers to how the Group manages its financial assets in order to generate cash flows. The business model determines whether the cash flows from the financial assets managed by the Group come from the collection of contractual cash flows, sale of financial assets or a combination of the two methods. In determining the business model for a group of financial assets, the Group considers various factors, including: past experience in collecting cash flows from this group of assets; how to assess the performance of this group of asset and report it to key management personnel; how to assess and manage risks are; and how to compensate people responsible for managing these assets, among others.

The contractual cash flow characteristics of financial assets refer to contractual terms as agreed in the financial instrument contracts that reflect the economic characteristics of the financial assets, i.e., the contractual cash flows arising at a specified date from the financial assets at amortised cost or FVOCL are solely payments of principal and interest on the principal amount outstanding. Of which, the principal is the fair value of the financial asset at initial recognition, and the amount of the principal may change over the life of the financial asset, if, e.g., there are repayments of principal; and the interest includes consideration for the time value of money, and credit risk, other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The classification requirements for debt instruments and equity instruments are described below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on: i) the Group's business model for managing the asset; and ii) the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cashflows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(i) Initial recognition and classification of financial instruments (Continued)

Financial assets (Continued)

Debt Instruments (Continued)

- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions i) and ii) below are met:

i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity investments of the Group are measured at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than trading. After designation, the fair value change is recognised in the other comprehensive income and it is not allowed to subsequently reclassify to profit or loss (including upon disposal). Impairment loss and reversal of impairment is not presented separately in the financial statement and is included in the fair value change. Dividend income as the return from investments is recognised by the Group when the right to receive is formed

Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortised cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(i) Initial recognition and classification of financial instruments (Continued)

Financial liabilities (Continued)

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel.

(ii) Measurement of financial assets

Initial measurement

Financial assets at FVPL are stated at fair value. Financial assets at fair value through profit or loss, transaction costs that are directly attributable to profit or loss. Financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets.

Subsequent measurement

Subsequent measurement of financial assets depends on the categories:

Financial assets and financial liabilities measured at amortised cost

The amortised cost is the amount at which the financial asset is measured at initial recognition: i) minus the principal; ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and maturity amount; iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses ('ECL') and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of this gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, except for:

i) a POCI financial asset, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to its amortised cost; and

ii) a financial assets that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortised cost. If, in a subsequent period, the financial asset improves its quality so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross carrying amount. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(ii) Measurement of financial assets (Continued)

Subsequent measurement

For floating-rate financial assets and floating-rate financial liabilities, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate. If a floating-rate financial asset or a floating rate financial liability is recognised initially at an amount equal to the principal receivable or payable on maturity, re-estimating the future interest payments normally has no significant effect on the carrying amount of the asset or the liability.

If the Group revises its estimates of payments or receipts, the difference between the gross carrying amount of the financial asset or amortised cost of a financial liability calculated from revised estimated contractual cash flows and the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate should be recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

When the financial assets is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments

Where an investment in an equity investment not held for trading is designated as a financial asset measured at fair value through other comprehensive income, the fair value changes of the financial asset is recognised in the other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings. The dividends on the investment are recognised in profit or loss only when the Group's right to receive payment of the dividends is established.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(ii) Measurement of financial assets (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are measured at fair value with all gains or losses recognised in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognised in other comprehensive income; and

- other changes in fair value of such financial liabilities are recognised in profit or loss of the current period.

(iii) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from loan commitments, financial guarantee contracts and lease receivables.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, ie, all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- the time value of money; and

- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Detailed information about ECL in the above areas is set out in note 55 (a).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at fair value through other comprehensive income. The loss allowance is recognised in other comprehensive income and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-months ECL at the current reporting date and the amount of ECL reversal is recognise in profit or loss.

At the reporting date, the Group only recognises the cumulative changes in lifetime ECL since initial recognition as a loss allowance for POCI financial assets. At each reporting date, the Group recognises in profit or loss the amount of the changes in lifetime ECL as an impairment gain or loss.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(iv) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(v) Derivatives and hedges

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Derivatives and hedges (Continued)

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments for fair value hedges.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity and recorded as net interest income.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(vi) Derecognition of financial assets

Financial assets

The Group derecognises a financial asset only when (1) the contractual rights to the cash flows from the asset expire, or (2) when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or (3) when it transfers the financial asset and gives up the control of the transferred assets though the Group neither transfers nor retains substantially all the risks and rewards of ownership.

Where a transfer of a financial asset in its entirety meets the criteria for de-recognition, the difference between the two amounts below is recognised in the consolidated statement of profit and loss:

— the carrying amount of the financial asset transferred;

— the sum of the consideration received from the transfer and the cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

Financial liabilities

Financial liabilities are derecognised when the related obligation is discharged, is cancelled or expires. An agreement between the Group and an existing lender to exchange the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit and loss.

(vii) Securitisation

As part of its operations, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. When the securitisation of financial assets that qualify for de-recognition, the relevant financial assets are de-recognised in their entirety and a new financial asset or liabilities is recognised regarding the interest in the unconsolidated securitisation vehicles that the Group acquired. When the securitisation of financial assets that do not qualify for de-recognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability. When the securitisation of financial assets that partially qualify for de-recognition, where the Group has not retained control, it derecognises these financial assets and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognise these financial assets to the extent of its continuing involvement in the financial asset.

4 Summary of significant accounting policies (Continued)

(c) Financial instruments (Continued)

(viii) Sales of assets on condition of repurchase

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(ix) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the consolidated statement of financial position and are not offset. However, financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only if the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(x) Financial assets held under resale and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions which the Group acquires financial assets which will be resold at a predetermined price in the future date under resale agreements. Financial assets sold under repurchase agreements are transactions which the Group sells financial assets which will be repurchased at a predetermined price in the future date under repurchase agreements.

Cash advanced or received is recognised as amounts held under resale and repurchase agreements on the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the consolidated statement of financial position.

The difference between the resale and repurchase consideration, and that between the purchase and sale consideration, should be expired over the period of the respective transaction using the effective interest method and are included in interest expense and interest income, respectively.

(xi) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from equity holder's equity.

(d) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes and precious metals leasing are initially measured at fair value and subsequent changes in fair value are recorded in the consolidated statement of profit or loss.

4 Summary of significant accounting policies (Continued)

(e) Interests in subsidiaries

In the Bank's consolidated statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (see Note 4 (l)). Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognised in investment income.

Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(f) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

When acquiring associates and joint ventures, the Group recognises as initial investment cost in the principle which: for the investments obtained by making payment in cash, the Group recognises the purchase cost which is actually paid as initial investment costs; for the investments obtained by equity securities, the Group recognises the fair value of the equity securities issued as initial investment cost.

An investment in an associate or a joint venture is accounted for using the equity method, unless the investment is classified as held for sale.

The Group adopts the following accounting treatments when using the equity method:

— Where the initial investment cost of an associate or joint venture exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

— After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

4 Summary of significant accounting policies (Continued)

(f) Interests in associates and joint ventures (Continued)

— The Group recognises its share of investee's profits or losses, other comprehensive income and other changes in equity holders' equity after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

— The Group discontinues recognising its share of net losses of investees after the carrying amount of investment to the associates and joint ventures and any long-term interest that in substance forms part of the Group's net interest in the associates and joint ventures are reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Additional loss is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. Where profits are subsequently made by the associates and joint ventures, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Group makes provisions for impairment of interests in associates and joint ventures in accordance with the principles described in Note 4 (l).

(g) Property, plant and equipment

Property, plant and equipment is asset held by the Group for the conduct of business and is expected to be used for more than one year. Construction-in-progress, an item of property, represents property under construction and is transferred to property when ready for its intended use.

(i) Cost

Property, plant and equipment is stated at cost upon initial recognition. Costs of a purchased property, plant and equipment comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed property, plant and equipment comprise construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of profit or loss as an expense when incurred.

4 Summary of significant accounting policies (Continued)

(g) Property, plant and equipment (Continued)

(iii) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of property, plant and equipment and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Buildings	30 - 35 years	0%-5%	2.71%-3.33%
Computer equipment and others	3 - 10 years	0%-10%	9.00%-33.33%

No depreciation is provided in respect of construction in progress.

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(iv) Impairment

Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 4 (l).

(v) Disposal and retirement

Gains or losses arising from the disposal or retirement of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss on the date of disposal or retirement.

(h) Intangible assets

Intangible assets are initially recognised at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment loss on intangible assets is accounted for in accordance with the accounting policies as set out in Note 4 (l). Impaired intangible assets are amortised net of accumulated impairment losses.

Intangible assets which are not yet available for use should be estimated at least at each financial year-end, even if there was no indication that the assets were impaired.

4 Summary of significant accounting policies (Continued)

(i) Investment properties

Investment properties are land and/or buildings which are owned and/or held under a leasehold interest to earn rental income and/or for capital appreciation.

The Group's investment properties are accounted for using the fair value model for subsequent measurement when either of the following conditions is met:

— There is an active property market in the location in which the investment property is situated;

— The Group can obtain the market price and other relevant information regarding the same type of or similar properties from the property market, so as to reasonably estimate the fair value of the investment property.

Investment properties are stated at fair value in the consolidated statement of financial position. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated statement of profit or loss.

When there is a change in use of properties from owner-occupation to earn rentals or for capital appreciation, the investment property transferring from property, plant and equipment or intangible assets is measured at fair value on the date of transfer. If the fair value on the transferred investment property is lower than the carrying amount of property, plant and equipment or intangible assets on the date of transfer, the difference is recognised in profit or loss, otherwise in the comprehensive income.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated statement of profit and loss.

(j) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the acquiree's identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or a group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs impairment test on goodwill annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised immediately in the consolidated statement of profit or loss.

On disposal of the related CGU or a group of CGUs, any attributable amount of the purchased goodwill net of allowance for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted in accordance with the accounting policies as set out in Note 4 (l).

4 Summary of significant accounting policies (Continued)

(k) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower, repossessed assets are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value and any taxes that are directly attributable to the assets, and other expenses incurred for collecting the repossessed assets.

When the fair value less costs to sell is lower than a repossessed asset's carrying amount, an impairment loss is recognised in the consolidated statement of profit or loss. Repossessed assets are recognised at the carrying value, net of allowance for impairment losses.

The repossessed assets are disposed after acquisition and cannot be used without authorisation. The repossessed assets that are transferred to own use are treated as newly purchased property, plant and equipment.

Any gain or loss arising from the disposal of the repossessed assets is included in the consolidated statement of profit or loss in the period in which the item is disposed.

(l) Allowance for impairment of non-financial assets

(i) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset other than goodwill such as investments in associates and joint ventures, property, plant and equipment, investment properties, intangible assets and other assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss in the consolidated statement of profit or loss.

(ii) Impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or the group of CGUs that is expected to benefit from the synergies of the combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that is largely independent of the cash flows from other assets or groups of assets.

The CGU or the group of CGUs to which goodwill has been allocated is tested for impairment by the Group annually, or whenever there is an indication that the CGU or the group of CGUs are impaired, by comparing the carrying amount of the CGU or the group of CGUs, including the goodwill, with the recoverable amount of the CGU or the group of CGUs. The recoverable amount of the CGU or the group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or the group of CGUs with allocated goodwill.

4 Summary of significant accounting policies (Continued)

(l) Allowance for impairment of non-financial assets (Continued)

(ii) Impairment of goodwill (Continued)

At the time of impairment testing of a CGU or a group of the CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of the CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of the CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or the group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or the group of CGUs, pro rata on the basis of the carrying amount of each asset. The carrying amount of an asset should not be reduced below the highest of its fair value less costs of disposal (if measurable); its value in use (if determinable) and zero.

An impairment loss in respect of goodwill is not reversed.

(m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique (Note 57).

(n) Employee benefits

(i) Short-term employee benefits

During the accounting period when an employee has rendered service to the Group, the Group recognises the undiscounted amount of short-term employee benefits as a liability and as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset. Short-term employee benefits include wages, bonuses, labor union expenses and employee education expenses, social insurance such as medical insurance, work-related injury insurance and maternity insurance, as well as housing provident funds, which are all calculated based on the regulated benchmark and ratio.

(ii) Post-employment benefits: Defined contribution plans

Pursuant to the relevant laws and regulations in the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are charged to profit or loss when the related services are rendered by the employees.

In addition to the statutory provision plan, the Bank's employees have joined its annuity scheme (the "scheme") which was established by the CITIC Group Corporation ("CITIC Group") in accordance with policies regarding the state owned enterprise annuity policy. The Bank has made annuity contributions in proportion to its employee's gross salaries which are expensed in the consolidated statement of profit or loss when the contributions are made.

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss as and when the contribution fall due.

4 Summary of significant accounting policies (Continued)

(n) Employee benefits (Continued)

(iii) Post-employment benefits: Defined benefit plans

The defined benefit plans of the Group are supplementary retirement benefits provided to the domestic employees.

The Group adopts the projected unit credit actuarial cost method, using unbiased and mutually compatible actuarial assumptions to estimate the demographic and financial variables, to measure the obligation associated in the defined benefits plan. The discounted present value of the defined benefit obligation, is recognised as the liabilities of the defined benefit plans.

The Group recognises the obligation of defined benefit plans in the accounting period in which the employees render the related services. Past-service costs are recognised immediately in the consolidated statement of profit or loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Re-measurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(o) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

Government grants are recognised when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognised as monetary assets. Government grants are measured at fair value when recognised as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in the consolidated statement of profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in the consolidated statement of profit or loss immediately. The Group uses the same statement method for similar government grants.

The prime based loan of the Group is calculated based on actual incoming loan as entry value and preferential interest rate. The direct interest charges against the cost of loan.

4 Summary of significant accounting policies (Continued)

(p) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group can not separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(q) Provisions and contingent liabilities

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Group recognise the loss allowance of financial guarantee contracts measured by ECL as a provision.

A contingent liability is (a) a possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or (b) a present obligation that arises from past events and it is not probable that an outflow of economic benefits is required to settle the obligation; or the amount of the obligation cannot be measured reliably. Such liability is disclosed as contingent liabilities under Note 51.

(r) Fiduciary activities

The Group acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated financial statements as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") at the instruction of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

4 Summary of significant accounting policies (Continued)

(s) Income recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognised when the controls of related products or services is obtained and satisfy the other conditions for different type of revenues as below.

(i) Interest income

Interest income of financial assets is calculated using the effective interest method and included in the profit and loss.

The accounting policies about interest income of financial assets measured at amortised cost refer to note 4 (c)(ii).

(ii) Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Group making a loan or anticipating will not, the fee is recognised as revenue on expiry.

(iii) Dividend income

Dividend income is recognised in the consolidated statement of profit or loss on the date when the Group's right to receive payment is established.

(iv) Rental income from operating lease

Rental income received under operating leases is recognised as other operating income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

4 Summary of significant accounting policies (Continued)

(t) Income tax

Current tax and deferred tax are recognised in the consolidated statement of profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current income tax is the expected tax payables on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payables in respect of previous periods. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences also arise from unused tax losses and unused tax credits. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

At the reporting date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and meet the additional conditions that deferred tax assets and liabilities relate to income taxes levied by the same authority on the same taxable entity.

(u) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturity of three months or less at acquisition.

(v) Profit distribution

Proposed dividends for ordinary shares which are declared and approved after the end of each reporting period are not recognised as a liability in the consolidated statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the notes to the consolidated financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved.

(w) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control, jointly control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

4 Summary of significant accounting policies (Continued)

(x) Operating segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

5 Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 55 (a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- Management overlay for asset portfolios whose non-linear risk characteristics cannot be adequately reflected through impairment models; and
- Discounted cash flows model is applicable to assets related to corporate client in stage 3.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 55 (a).

5 Critical accounting estimates and judgements (Continued)

(ii) Classification of financial assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include evaluation and reporting of financial asset performance to key management personnel, risks affecting the performance of financial assets and their management methods, and related business management personnel. The way to get paid, etc.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; Wether interests is only included currency time value, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, Wether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

(iii) Fair value of financial instruments

For financial instruments without active market, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign currency exchange rates. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(iv) De-recognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements and etc.. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial de-recognition.

Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following de-recognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets was transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the de-recognition criteria are met based on the following considerations:

— whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties;

— the extent to which the associated risks and rewards of ownership of the financial assets are transferred by using appropriate models. Significant judgment is applied in the Group's assessment with regard to the parameters and assumptions applied in the models, estimated cash flows before and after the transfers, the discount rates used based on current market interest rates, variability factors considered and the allocation of weightings in different scenarios;

— where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets.

5 Critical accounting estimates and judgements (Continued)

(v) Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

— assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

— performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

— assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

6 Net interest income

	Year ended 31 December	
	2019	2018
Interest income arising from (Note (i)):		
Deposits with central banks	**5,949**	7,049
Deposits with banks and non-bank financial institutions	**1,741**	2,472
Placements with and loans to banks and non-bank financial institutions	**6,326**	8,203
Financial assets held under resale agreements	**753**	987
Loans and advances to customers		
— corporate loans	**101,049**	95,562
— personal loans	**84,748**	69,541
— discounted bills	**9,094**	8,645
Financial investments		
— at amortised cost	**38,238**	32,881
— at fair value through other comprehensive income	**20,584**	16,534
Others	**16**	59
Subtotal	**268,498**	241,933
Interest expense arising from:		
Borrowings from central banks	**(8,118)**	(8,937)
Deposits from banks and non-bank financial institutions	**(24,869)**	(26,389)
Placements from banks and non-bank financial institutions	**(3,522)**	(3,389)
Financial assets sold under repurchase agreements	**(1,679)**	(1,623)
Deposits from customers	**(80,272)**	(66,254)
Debt securities issued	**(22,186)**	(22,416)
Lease liabilities	**(548)**	—
Others	**(33)**	(13)
Subtotal	**(141,227)**	(129,021)
Net interest income	**127,271**	112,912

Note:

(i) Interest income from impaired financial assets is RMB361 million for the year ended 31 December 2019 (2018: RMB375 million).

(Amounts in millions of Renminbi unless otherwise stated)

7 Net fee and commission income

	Year ended 31 December	
	2019	2018
Fee and commission income:		
Bank card fees	**34,800**	24,516
Commission for custodian business and other fiduciary	**3,835**	6,044
Agency fees and commission (Note (i))	**7,345**	4,839
Guarantee and advisory fees	**4,898**	5,613
Settlement and clearance fees	**1,322**	1,269
Others	**84**	318
Total	**52,284**	42,599
Fee and commission expense	**(5,900)**	(5,591)
Net fee and commission income	**46,384**	37,008

Note:

(i) Agency fees and commission represent fees earned for sale of bonds, investment funds and insurance products, and provision of entrusted lending activities.

8 Net trading gain

	Year ended 31 December	
	2019	2018
Debt securities and certificates of interbank deposit	**2,783**	3,897
Foreign currencies	**2,194**	1,983
Derivatives and related exposures	**252**	552
Financial instrument designated at fair value through profit or loss	**—**	87
Total	**5,229**	6,519

9 Net gain from investment securities

	Year ended 31 December	
	2019	2018
Financial investments		
— at fair value through profit or loss	**7,329**	7,745
— at amortised cost	**188**	(494)
— at fair value through other comprehensive income	**(1,878)**	(1,416)
Revaluation gain/(loss) on transfer out of equity at disposal	**2,187**	(262)
Net gain from bills rediscounting	**560**	134
Net loss from securitisation of financial assets	**(7)**	3,181
Others	**250**	158
Total	**8,629**	9,046

(Amounts in millions of Renminbi unless otherwise stated)

10 Net hedging loss

	Year ended 31 December	
	2019	2018
Net loss of fair value hedge	**(2)**	(1)

11 Operating expenses

	Year ended 31 December	
	2019	2018
Staff costs		
— salaries and bonuses	**22,320**	22,196
— welfare expenses	**1,262**	1,400
— social insurance	**1,490**	1,469
— housing fund	**1,250**	1,300
— labour union expenses and employee education expenses	**462**	416
— housing allowance	**8**	196
— other short-term benefits	**87**	61
— post-employment benefits — defined contribution plans	**2,770**	2,453
— post-employment benefits — defined benefit plans	**(14)**	102
— other long-term benefits	**1**	6
Subtotal	**29,636**	29,599
Property and equipment expenses		
— depreciation of right-of-use assets	**3,275**	—
— depreciation of property, plant and equipment	**1,742**	1,830
— rent and property management expenses	**1,492**	4,972
— amortisation expenses	**1,049**	1,112
— electronic equipment operating expenses	**547**	458
— maintenance	**728**	485
— others	**405**	398
Subtotal	**9,238**	9,255
Tax and surcharges	**1,854**	1,699
Other general operating and administrative expenses (Note (i))	**13,440**	12,047
Total	**54,168**	52,600

Note:

(i) Included in other general operating and administrative expenses were audit fees of RMB21 million for the year ended 31 December 2019 (2018: RMB20 million) and non-audit fees of RMB8 million for the year ended 31 December 2019 (2018: RMB21 million).

(Amounts in millions of Renminbi unless otherwise stated)

11 Operating expenses (Continued)

(a) Individuals with highest emoluments

For the year ended 31 December 2019, of the 5 individuals with the highest emoluments in the Group, there was no director (2018: Nil) and no supervisor (2018: Nil). The aggregate of the emoluments before individual income tax in respect of the other five (2018: five) highest paid individuals of the Group were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**24,897**	20,089
Discretionary bonuses	**19,804**	18,452
Contribution to pension scheme	**1,761**	1,438
Total	**46,462**	39,979

The emoluments before individual income tax of the five individuals of the Group with the highest emoluments are within the following bands:

	Year ended 31 December	
	2019	2018
RMB5,000,001 — RMB10,000,000	**3**	3
RMB10,000,001 — RMB15,000,000	**2**	2

No inducement fee and compensation for loss of office was paid to the five highest paid individuals for the year ended 31 December 2019 (2018: Nil).

12 Credit impairment losses

	31 December 2019	31 December 2018
Deposits with banks and non-bank financial institutions	**67**	11
Placements with and loans to banks and non-bank financial institutions	**(84)**	(1)
Financial assets held under resale agreements	**43**	(33)
Interest receivables	**2,103**	3,034
Loans and advances to customers	**68,793**	47,753
Financial investments		
— at amortised cost	**3,589**	999
— at fair value through other comprehensive income	**678**	75
Other receivables	**390**	6,098
Off-balance sheet items	**1,100**	(50)
Total	**76,679**	57,886

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13 Impairment losses on other assets

	31 December 2019	31 December 2018
Other assets-repossessed assets	**576**	347

14 Income tax

(a) Recognised in the consolidated statement of profit or loss and other comprehensive income

	Note	**Year ended 31 December 2019**	2018
Current tax			
— Mainland China		**16,073**	12,680
— Hong Kong		**501**	561
— Overseas		**33**	46
Deferred tax	30(c)	**(9,056)**	(4,337)
Total		**7,551**	8,950

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rate of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Year ended 31 December 2019	2018
Profit before tax	**56,545**	54,326
Income tax calculated at PRC statutory tax rate	**14,136**	13,581
Effect of different tax rates in other regions	**(263)**	(286)
Tax effect of non-deductible expenses	**282**	274
Tax effect of non-taxable income		
— interest income arising from PRC government bonds and local government bonds	**(4,893)**	(3,353)
— the dividends of funds	**(1,620)**	(1,209)
— others	**(91)**	(57)
Income tax	**7,551**	8,950

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15 Other comprehensive income, net of tax

	Year ended 31 December	
	2019	2018
Items that will not be reclassified subsequently to profit or loss		
Changes on the measurement of defined benefit plans, net of tax		
— net changes recognised during the year before tax	—	9
— income tax	—	(2)
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
— net changes in fair value recognised during the year before tax	**(1,052)**	15
— income tax	**263**	(4)
Transfer from owner-occupied property to investment property		
— net changes during the year before tax	—	65
Subtotal	**(789)**	83
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
— net changes during the year	—	(10)
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note(i))		
— net changes during the year before tax	**4,425**	13,300
— net amount transferred to profit or loss	**(2,187)**	149
— Income tax	**(524)**	(3,409)
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note(ii))		
— net changes during the year	**927**	173
— Income tax	**(242)**	(33)
Exchange differences on translation	**592**	2,209
Subtotal	**2,991**	12,379
Other comprehensive income, net of tax	**2,202**	12,462

Note:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial investments and loans and advances to customers at fair value through other comprehensive income (Note 22 (a)).

(ii) Credit impairment allowance include financial investments and loans and advances to customers at fair value through other comprehensive income (Note 22 (a)).

(Amounts in millions of Renminbi unless otherwise stated)

16 Earnings per share

Earnings per share information for the year ended 31 December 2019 and 2018 is computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the year.

The Bank issued non-cumulative preference shares during the year ended 31 December 2016, under the terms and conditions as detailed in Note 43 (i). The Bank declared and paid cash dividends of RMB1,330 million of non-cumulative preference shares for the year of 2019 (2018: 1,330 million).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The diluted earnings per share is calculated on the assumption that the RMB40 billion A-share convertible corporate bonds publicly issued by the Bank on 4 March 2019 are deemed to have all been converted to ordinary shares upon issuance, and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the period, the net profit of the year attributable to ordinary shareholders of the Bank, by the adjusted weighted average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2019	2018
Profit for the year attributable to equity holders of the Bank	**48,015**	44,513
Less: dividend attributable to preference shareholders of the Bank	**1,330**	1,330
Profit for the year attributable to ordinary shareholders of the Bank	**46,685**	43,183
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic earnings per share (in RMB)	**0.95**	0.88
Diluted earnings per share (in RMB)	**0.89**	0.88

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(Amounts in millions of Renminbi unless otherwise stated)

17 Cash and balances with central banks

	Notes	**31 December 2019**	31 December 2018
Cash		**6,345**	6,188
Balances with central banks			
— statutory deposit reserve funds	(i)	**354,074**	399,797
— surplus deposit reserve funds	(ii)	**97,602**	128,423
— fiscal deposits	(iii)	**1,890**	2,816
— foreign exchange reserve	(iv)	**3,080**	1,289
Accrued interest		**167**	195
Total		**463,158**	538,708

Notes:

(i) The Group places statutory deposit reserve funds with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserve funds are not available for use in the Group's daily business.

As at 31 December 2019, the statutory deposit reserve funds placed with the PBOC was calculated at 9% (as at 31 December 2018: 12%) of eligible Renminbi deposits for domestic branches of the Bank and at 9% (as at 31 December 2018: 12%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% (as at 31 December 2018: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

As at 31 December 2019, the statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited in mainland China, a subsidiary of the Group, was at 7.5% (as at 31 December 2018: 9%).

The amounts of statutory deposit reserve funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the PBOC.

(ii) The surplus deposit reserve funds are maintained with the PBOC for the purposes of clearing.

(iii) Fiscal deposits placed with the PBOC are not available for use in the Group's daily operations, and are non-interest bearing.

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month for the period of application. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice.

(Amounts in millions of Renminbi unless otherwise stated)

18 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2019**	31 December 2018
In Mainland China			
— banks		**89,740**	44,318
— non-bank financial institutions		**5,188**	21,028
Subtotal		**94,928**	65,346
Outside Mainland China			
— banks		**25,785**	31,984
— non-bank financial institutions		**11**	1,783
Subtotal		**25,796**	33,767
Accrued interest		**715**	114
Gross balance		**121,439**	99,227
Less: Allowances for impairment losses	32	**(142)**	(74)
Net balance		**121,297**	99,153

(b) Analysed by remaining maturity

	Note	**31 December 2019**	31 December 2018
Demand deposits (Note (i))		**39,638**	65,023
Time deposits with remaining maturity			
— within one month		**1,620**	22,256
— between one month and one year		**79,466**	11,834
Subtotal		**81,086**	34,090
Accrued interest		**715**	114
Gross balance		**121,439**	99,227
Less: Allowances for impairment losses	37	**(142)**	(74)
Net balance		**121,297**	99,153

Note:

(i) As at 31 December 2019, the carrying amount of pledged deposits with banks and other financial institutions was RMB849 million (as at 31 December 2018: RMB1,343 million). These deposits were mainly maintenance margin with a regulatory body.

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19 Placements with and loans to banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**31 December 2019**	31 December 2018
In Mainland China			
— banks		**22,773**	13,680
— non-bank financial institutions		**119,330**	113,351
Subtotal		**142,103**	127,031
Outside Mainland China			
— banks		**61,306**	48,421
— non-bank financial institutions		**—**	—
Subtotal		**61,306**	48,421
Accrued interest		**1,219**	873
Gross balance		**204,628**	176,325
Less: Allowances for impairment losses	32	**(81)**	(165)
Net balance		**204,547**	176,160

(b) Analysed by remaining maturity

	Note	**31 December 2019**	31 December 2018
Within one month		**126,867**	112,284
Between one month and one year		**62,092**	63,168
Over one year		**14,450**	—
Accrued interest		**1,219**	873
Gross balance		**204,628**	176,325
Less: Allowances for impairment losses	32	**(81)**	(165)
Net balance		**204,547**	176,160

(Amounts in millions of Renminbi unless otherwise stated)

20 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals, interest rate and credit derivatives related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments (Note 20(c)), are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

	31 December 2019			31 December 2018		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments (Note 20(c))						
— interest rate derivatives	**2,890**	**15**	**17**	8,385	96	8
Non-Hedging instruments						
— interest rate derivatives	**2,883,406**	**5,188**	**5,159**	1,837,247	6,010	5,966
— currency derivatives	**1,513,070**	**11,700**	**10,928**	2,595,674	24,826	24,501
— precious metal derivatives	**12,715**	**214**	**732**	58,644	1,048	1,170
— credit derivatives	**—**	**—**	**—**	820	11	1
Total	**4,412,081**	**17,117**	**16,836**	4,500,770	31,991	31,646

(a) Nominal amount analysed by remaining maturity

	31 December 2019	31 December 2018
Within three months	**1,746,119**	1,921,744
Between three months and one year	**1,753,923**	2,033,875
Between one year and five years	**896,911**	542,276
Over five years	**15,128**	2,875
Total	**4,412,081**	4,500,770

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBIRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 31 December 2019, the total amount of credit risk weighted amount for counterparty was RMB14,631 million (as at 31 December 2018: RMB20,158 million).

(c) Fair value hedge

A subsidiary of the Group utilises fair value hedge to eliminate the effect of fair value changes of financial assets and financial liabilities caused by market interest rate fluctuations. Interest rate swap contracts are used for hedging interest risks arising from debt securities at fair value through other comprehensive income, certificates of deposit and subordinated bonds issued.

(Amounts in millions of Renminbi unless otherwise stated)

21 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**31 December 2019**	31 December 2018
In Mainland China			
— banks		**10,001**	3,402
— non-bank financial institutions		**—**	6,428
Subtotal		**10,001**	9,830
Outside Mainland China			
— banks		**—**	958
Accrued interest		**—**	6
Gross balance		**10,001**	10,794
Less: Allowance for impairment losses	32	**(47)**	(4)
Net balance		**9,954**	10,790

(b) Analysed by types of collateral

As at 31 December 2019 and 31 December 2018, the collateral type of financial asset under resale agreements of the Group are all debt instruments. The collateral received by the Group in resale transactions are disclosed in Note 52 Collateral.

(c) Analysed by remaining maturity

As at 31 December 2019 and 31 December 2018, the financial assets held under resale agreements of the Group all mature within one month.

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22 Loans and advances to customers

(a) Analysed by nature

	Notes	31 December 2019	31 December 2018
Loans and advances to customers at amortised cost			
Corporate loans and advances			
— loans		**1,911,597**	1,833,171
— discounted bills		**3,787**	146,414
— finance lease receivables and payment for resale arrangement		**43,000**	47,817
Subtotal		**1,958,384**	2,027,402
Personal loans and advances			
— residential mortgages		**776,657**	643,407
— credit cards		**514,657**	442,493
— personal consumption		**205,483**	203,853
— business loans		**227,102**	194,737
Subtotal		**1,723,899**	1,484,490
Accrued interest		**10,104**	8,338
Gross balance		**3,692,387**	3,520,230
Less: Allowances for impairment losses on loans	32		
— principal		**(115,403)**	(101,022)
— interest		**(86)**	(78)
Loans and advances to customers at amortised cost, net		**3,576,898**	3,419,130
Loans and advances to customers at fair value through other comprehensive income			
— loans		**922**	137
— discounted bills		**307,867**	96,383
Carrying amount of loans and advances at fair value through other comprehensive income		**308,789**	96,520
— fair value changes through comprehensive income		**(48)**	(21)
Loans and advances to customers at fair value through profit or loss			
Personal loans and advances			
— residential mortgages		**6,915**	—
Total		**3,892,602**	3,515,650
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	32	**(467)**	(132)

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses

	31 December 2019			
	Stage one	**Stage two**	**Stage three (Note (i))**	**Total**
Gross loans and advances to customers at amortised costs	**3,516,330**	**96,397**	**69,556**	**3,682,283**
Accrued interest	**9,320**	**773**	**11**	**10,104**
Less: Allowance for impairment losses	**(35,562)**	**(26,088)**	**(53,839)**	**(115,489)**
Carrying amount of loans and advances to customers measured at Amortised cost	**3,490,088**	**71,082**	**15,728**	**3,576,898**
Carrying amount of loans and advances to customers at fair value through other comprehensive income	**308,712**	**48**	**29**	**308,789**
Total	**3,798,800**	**71,130**	**15,757**	**3,885,687**
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	**(453)**	**—**	**(14)**	**(467)**

	31 December 2018			
	Stage one	Stage two	Stage three (Note (i))	Total
Gross loans and advances to customers at amortised costs	3,353,529	92,949	65,414	3,511,892
Accrued interest	7,592	727	19	8,338
Less: Allowance for impairment losses	(31,940)	(22,788)	(46,372)	(101,100)
Carrying amount of loans and advances to customers measured at Amortised cost	3,329,181	70,888	19,061	3,419,130
Carrying amount of loans and advances to customers at fair value through other comprehensive income	96,520	—	—	96,520
Total	3,425,701	70,888	19,061	3,515,650
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	(132)	—	—	(132)

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22 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses (Continued)

Notes:

(i) Stage 3 loans are loans and advances to customers that have incurred credit impairment.

	31 December 2019	31 December 2018
Secured portion	**41,596**	37,648
Unsecured portion	**27,989**	27,766
Gross balance	**69,585**	65,414
Allowance for impairment losses	**(53,853)**	(46,372)

As at 31 December 2019, the maximum exposure covered by pledge and collateral held of secured portion is RMB40,206 million (as at 31 December 2018: RMB35,221 million).

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

(c) Overdue loans analysed by overdue period

	31 December 2019				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**17,173**	**10,511**	**1,507**	**144**	**29,335**
Guaranteed loans	**10,353**	**6,350**	**4,191**	**230**	**21,124**
Loans with pledged assets					
— loans secured by collateral	**23,901**	**11,134**	**10,810**	**2,012**	**47,857**
— pledged loans	**2,439**	**1,865**	**1,288**	**101**	**5,693**
Total	**53,866**	**29,860**	**17,796**	**2,487**	**104,009**

	31 December 2018				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	9,221	9,602	1,977	493	21,293
Guaranteed loans	9,284	8,292	6,639	627	24,842
Loans with pledged assets					
— loans secured by collateral	16,428	13,339	12,008	2,367	44,142
— pledged loans	2,457	1,959	1,752	114	6,282
Total	37,390	33,192	22,376	3,601	96,559

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(Amounts in millions of Renminbi unless otherwise stated)

22 Loans and advances to customers (Continued)

(d) Finance lease receivables and Payment for resale arrangement

Finance lease receivables and payment for resale arrangement transactions are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings Limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. These contracts usually run for an initial period from 1 to 25 years. The total finance lease receivables and payment for resale arrangement transactions under finance lease and hire purchase contracts and their present values are as follows:

	31 December 2019	31 December 2018
Within one year (including one year)	**11,619**	11,826
One year to two years (including two years)	**9,935**	9,866
Two years to three years (including three years)	**6,689**	7,863
Over three years	**14,757**	18,262
Gross balance	**43,000**	47,817
Less: Allowance for impairment losses		
— stage one	**(690)**	(1,001)
— stage two	**(1,153)**	(429)
— stage three	**(150)**	(100)
Net balance	**41,007**	46,287

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23 Financial investments

(a) Analysed by types

	Note	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss			
Investment funds		**218,491**	189,176
Debt securities		**42,870**	71,920
Certificates of deposit		**46,792**	16,713
Equity instruments		**8,424**	4,461
WMPs and investments through structured entities		**952**	116
Trust investment plans (Note(i))		**17**	26,486
Net balance		**317,546**	308,872
Financial assets at amortised cost			
Debt securities		**574,644**	381,688
Investment management products managed by securities companies (Note(i))		**186,217**	228,502
Trust investment plans (Note(i))		**160,248**	151,582
Certificates of deposit		**—**	11,406
Subtotal		**921,109**	773,178
Accrued interest		**9,901**	8,430
Less: Allowance for impairment losses	32	**(6,776)**	(3,370)
— principles		**(6,758)**	(3,355)
— accrued interests		**(18)**	(15)
Net balance		**924,234**	778,238
Financial assets at fair value through other comprehensive income (Note(ii))			
Debt securities		**616,794**	491,015
Certificates of deposit		**4,866**	12,644
Subtotal		**621,660**	503,659
Accrued interest		**7,120**	6,687
Net balance		**628,780**	510,346
Allowances for impairment losses on financial investments at fair value through other comprehensive income	32	**(1,631)**	(1,039)
Financial assets designated at fair value through other comprehensive income (Note(ii))		**3,036**	2,707
Total		**1,873,596**	1,600,163

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (Continued)

(a) Analysed by types (Continued)

Notes:

(i) As of 31 December 2019, RMB84,447 million (31 December 2018: RMB99,095 million) of Trust investment plans and Investment management products managed by securities companies listed above were managed by the subsidiaries and related companies of CITIC Corporation Limited, the Bank's immediate parent company.

The underlying assets of Trust investment plans and Investment management products managed by securities companies primarily include credit assets, interbank assets and rediscounted bills (Note 55 (a) (viii)).

(ii) Financial investments at fair value through other comprehensive income

	Note	**31 December 2019** Equity instruments	Debt security instruments	Total
Costs/Amortised cost		**4,140**	**614,035**	**618,175**
Fair value change on accumulated into other comprehensive income		**(1,104)**	**7,625**	**6,521**
Fair value		**3,036**	**621,660**	**624,696**
Allowance for impairment losses	32		**(1,631)**	**(1,631)**

	Note	31 December 2018 Equity instruments	Debt security instruments	Total
Costs/Amortised cost		2,759	498,299	501,058
Fair value change on accumulated into other comprehensive income		(52)	5,360	5,308
Fair value		2,707	503,659	506,366
Allowance for impairment losses	32		(1,039)	(1,039)

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (Continued)

(b) Analysed by location of counterparties

	Note	**31 December 2019**	31 December 2018
In Mainland China			
— governments		**653,797**	475,246
— policy banks		**98,832**	122,411
— banks and non-bank financial institutions		**916,083**	400,793
— corporates		**102,415**	126,144
Subtotal		**1,771,127**	1,124,594
Outside Mainland China			
— governments		**20,986**	16,121
— banks and non-bank financial institutions		**42,069**	433,910
— public entities		**340**	2,084
— corporates		**28,829**	11,707
Subtotal		**92,224**	463,822
Accrued interest		**17,021**	15,117
Total		**1,880,372**	1,603,533
Less: Impairment allowance for financial assets at amortised cost	32	**(6,776)**	(3,370)
Net balance		**1,873,596**	1,600,163
Listed in Hong Kong		**44,990**	39,541
Listed outside Hong Kong		**1,436,126**	1,104,876
Unlisted		**392,480**	455,746
Total		**1,873,596**	1,600,163

Bonds traded in China's inter-bank bond market are listed outside Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

23 Financial investments (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	Notes	31 December 2019 Stage one	Stage two	Stage three	Total
Financial assets at amortised costs		**901,695**	**10,716**	**8,698**	**921,109**
Accrued interest		**9,825**	**76**	**—**	**9,901**
Less: Allowance for impairment losses	32	**(3,614)**	**(334)**	**(2,828)**	**(6,776)**
Net Balance		**907,906**	**10,458**	**5,870**	**924,234**
Financial assets at fair value through other comprehensive income		**621,337**	**123**	**200**	**621,660**
Accrued interest		**7,120**	**—**	**—**	**7,120**
Net Balance		**628,457**	**123**	**200**	**628,780**
Total carrying amount of financial assets affected by credit risk		**1,536,363**	**10,581**	**6,070**	**1,553,014**
Allowance for impairment losses of other debt instruments included in other comprehensive income		**(1,331)**	**(3)**	**(297)**	**(1,631)**

	Notes	31 December 2018 Stage one	Stage two	Stage three	Total
Financial assets at amortised costs		768,136	3,882	1,160	773,178
Accrued interest		8,422	8	—	8,430
Less: Allowance for impairment losses	32	(2,680)	(152)	(538)	(3,370)
Net Balance		773,878	3,738	622	778,238
Financial assets at fair value through other comprehensive income		503,334	104	221	503,659
Accrued interest		6,686	1	—	6,687
Net Balance		510,020	105	221	510,346
Total carrying amount of financial assets affected by credit risk		1,283,898	3,843	843	1,288,584
Allowance for impairment losses of other debt instruments included in other comprehensive income		(727)	(2)	(310)	(1,039)

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures

	Note	**31 December 2019**	31 December 2018
Investments in joint ventures	(a)	**2,914**	2,759
Investments in associates	(b)	**758**	1,122
Total		**3,672**	3,881

(a) Investment in joint ventures

The details of the joint ventures as at 31 December 2019 were as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares	Principal activities	Nominal value of issued shares
CITIC aiBank Corporation Limited ("CITIC Baixin") (Note (i))	Corporation	Mainland China	70.0%	Financial services	RMB4.0 billion
JSC Altyn Bank Corporation Limited. ("JSC Altyn Bank") (Note(ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT7.05 billion

Notes:

(i) According to the Articles of Association, the Bank and Fujian BoRui Network Technology Co.,Ltd. ("Fujian BoRui") shall jointly approve main critical events before further development.

(ii) In 2018, the Bank completed its acquisition of 50.1% shares in JSC Altyn Bank. According to the Articles of Association of JSC Altyn Bank, decisions regarding all major activities of JSC Altyn Bank shall be subject to the joint approval of the Bank and the other shareholder, the JSC Halyk Bank of Kazakhstan.

Financial statements of the joint ventures are as follow:

	As at or for the year ended 2019				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
CITIC Baixin	**58,865**	**55,620**	**3,245**	**2,373**	**20**
JSC Altyn Bank	**9,520**	**8,487**	**1,033**	**472**	**259**

	As at or for the year ended 2018				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net (loss)/gain
CITIC Baixin	35,924	32,701	3,223	1,295	(484)
JSC Altyn Bank	7,928	7,194	734	349	195

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures (Continued)

(a) Investment in joint ventures (Continued)

Movement of the Group's interests in the joint venture:

	Year ended 31 December 2019	Year ended 31 December 2018
Initial investment cost	**3,229**	3,229
As at 1 January	**2,759**	1,196
Additions	**—**	1,829
Share of net loss of the joint ventures for the year	**154**	(274)
Exchange difference	**1**	8
As at 31 December	**2,914**	2,759

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 31 December 2019 was as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	46%	Investment holding and assets management	HKD2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB500 million

Financial statements of the associates are as follow:

	As at or for the year ended 2019				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net loss**
CIAM	**1,540**	**172**	**1,368**	**(38)**	**(133)**
BFAE	**428**	**26**	**402**	**150**	**(50)**

	As at or for the year ended 2018				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net (loss)/profit
CIAM	1,631	149	1,482	(718)	(768)
ZhongAn Financial Services Limited	884	—	884	5	5
BFAE	499	47	452	3	(30)

(Amounts in millions of Renminbi unless otherwise stated)

24 Investments in associates and joint ventures (Continued)

(b) Investment in associates (Continued)

Movement of the Group's interests in associates:

	Year ended 31 December 2019	Year ended 31 December 2018
Initial investment cost	**1,168**	1,489
As at 1 January	**1,122**	1,145
Additions	**(321)**	306
Share of net loss of associates for the year	**(52)**	(368)
Share of other comprehensive income of associates for the year	**—**	(10)
Exchange difference	**9**	49
As at 31 December	**758**	1,122

25 Investment in subsidiaries

	Notes	**31 December 2019**	31 December 2018
Investment in subsidiaries			
— CITIC international financial holdings limited ("CIFH")	(i)	**16,570**	16,570
— CNCB (Hong Kong) Investment Limited ("CNCB Investment")	(ii)	**1,577**	1,577
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	**102**	102
— CITIC financial leasing CO., LTD ("CFLL")	(iv)	**4,000**	4,000
Total		**22,249**	22,249

(Amounts in millions of Renminbi unless otherwise stated)

25 Investment in subsidiaries (Continued)

Major subsidiaries of the Bank as at 31 December 2019 are as follows:

Name of entity	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (Note (i))	Hong Kong	HKD7,503 million	Commercial banking and other financial services	100%	—	100%
CNCB Investment (Note (ii))	Hong Kong	HKD1,889 million	Lending services	99.05%	0.71%	99.76%
Lin'an Rural Bank (Note (iii))	Mainland China	RMB200 million	Commercial banking	51%	—	51%
CFLL (Note (iv))	Mainland China	RMB4,000 million	Financial lease operations	100%	—	100%

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited ("CBI").

(ii) CNCB Investment was founded in Hong Kong in 1984. Holding a money lending licence issued by the Hong Kong Company Registry, CNCB Investment's business scope includes capital market investment, lending and other related services. The Bank holds 99.05% shareholding in CNCB Investment, and CIFH holds the remaining 0.71% shareholding in CNCB Investment. The Bank effectively held 99.76% shareholding in CNCB Investment.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking related businesses. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB4 billion. Its principal business activities are financial leasing. The Bank holds 100% of its shares and voting rights.

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26 Investment properties

	31 December 2019	31 December 2018
Fair value as at 1 January	**443**	295
Change in fair value	**(15)**	35
Transfers in/(out)	**(10)**	93
Exchange difference	**8**	20
Fair value as at 31 December	**426**	443

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 31 December 2019.

All investment properties of the Group were revalued at 31 December 2019 by an independent firm of surveyors, Prudential Surveyors Hong Kong Limited, on an open market value basis. The fair value is in line with the definition of "IFRS13 – Fair value measurement". The revaluation surplus has been recognised in the profit or loss for the current year. Prudential Surveyors Hong Kong Limited has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued.

The investment properties of the Group are categorised into Level 3.

27 Property, plant and equipment

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2019	**21,885**	**1,288**	**10,839**	**34,012**
Additions	**496**	**799**	**1,612**	**2,907**
Transfer in (out) in current year	**471**	**(471)**		
Disposals	**(263)**		**(702)**	**(965)**
Exchange differences	**10**	**—**	**19**	**29**
As at 31 December 2019	**22,599**	**1,616**	**11,768**	**35,983**
Accumulated depreciation:				
As at 1 January 2019	**(4,949)**		**(7,678)**	**(12,627)**
Depreciation charges	**(694)**		**(1,048)**	**(1,742)**
Disposals	**125**		**656**	**781**
Exchange differences	**(6)**		**(17)**	**(23)**
As at 31 December 2019	**(5,524)**		**(8,087)**	**(13,611)**
Net carrying value:				
As at 1 January 2019	**16,936**	**1,288**	**3,161**	**21,385**
As at 31 December 2019 (Note (i))	**17,075**	**1,616**	**3,681**	**22,372**

(Amounts in millions of Renminbi unless otherwise stated)

27 Property, plant and equipment (Continued)

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2018	21,313	1,078	11,018	33,409
Additions	1,157	210	1,466	2,833
Transfer out	(102)	—	(1,041)	(1,143)
Disposals	(514)	—	(663)	(1,177)
Exchange differences	31	—	59	90
As at 31 December 2018	21,885	1,288	10,839	34,012
Accumulated depreciation:				
As at 1 January 2018	(4,497)		(7,582)	(12,079)
Depreciation charges	(674)		(1,156)	(1,830)
Transfer out	9		492	501
Disposals	229		610	839
Exchange differences	(16)		(42)	(58)
As at 31 December 2018	(4,949)		(7,678)	(12,627)
Net carrying value:				
As at 1 January 2018	16,816	1,078	3,436	21,330
As at 31 December 2018 (Note (i))	16,936	1,288	3,161	21,385

Notes:

(i). As at 31 December 2019, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB1,211 million (as at 31 December 2018: RMB1,078 million). The Group believes the incomplete registration procedure does not affect the rights of the Group as the legal successor to these buildings.

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28 Right-of-use assets

	Buildings	Land use right	Equipments	Vehicles and others	Total
Cost or deemed cost:					
As at 31 December 2018	—	—	—	—	—
Change in accounting policy:	12,145	1,235	125	48	13,553
As at 1 January 2019	12,145	1,235	125	48	13,553
Additions	2,485	—	7	—	2,492
Reductions	(146)	(16)	(6)	(1)	(169)
Exchange differences	17	—	—	—	17
As at 31 December 2019	14,501	1,219	126	47	15,893
Accumulated depreciation:					
As at 31 December 2018	—	—	—	—	—
Change in accounting policy:	—	(242)	—	—	(242)
As at 1 January 2019	—	(242)	—	—	(242)
Accrual	(3,194)	(30)	(40)	(11)	(3,275)
Reductions	10	5	1	—	16
Exchange differences	(2)	—	—	—	(2)
As at 31 December 2019	(3,186)	(267)	(39)	(11)	(3,503)
Net carrying value:					
As at 1 January 2019	12,145	993	125	48	13,311
As at 31 December 2019	11,315	952	87	36	12,390

(i) As at 31 December 2019, the balance of the Group's lease liabilities amounted to RMB10,896 million, including RMB3,176 million of lease liabilities that will mature within a year.

(ii) As at 31 December 2019, lease payments relating to lease contracts signed but yet to be executed amounted to RMB113 million.

(iii) For the year ended 31 December 2019, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values when new amounted to RMB662 million.

(Amounts in millions of Renminbi unless otherwise stated)

29 Goodwill

	31 December 2019	31 December 2018
As at 1 January	**896**	849
Exchange difference	**16**	47
As at 31 December	**912**	896

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 31 December 2019 (as at 31 December 2018: Nil).

30 Deferred tax assets/(liabilities)

	31 December 2019	31 December 2018
Deferred tax assets	**32,095**	23,174
Deferred tax liabilities	**(10)**	(16)
Net	**32,085**	23,158

(a) Analysed by nature and jurisdiction

	31 December 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**129,678**	**32,209**	95,710	23,729
— fair value adjustments	**(11,559)**	**(2,865)**	(9,944)	(2,526)
— employee retirement benefits and salaries payable	**10,202**	**2,551**	7,430	1,857
— others	**985**	**200**	238	114
Subtotal	**129,306**	**32,095**	93,434	23,174
Deferred tax liabilities				
— fair value adjustments	**(56)**	**(10)**	(86)	(16)
Net	**129,250**	**32,085**	93,348	23,158

(Amounts in millions of Renminbi unless otherwise stated)

30 Deferred tax assets/(liabilities) (Continued)

(b) Offsetting of deferred tax assets and deferred tax liabilities

As at 31 December 2019, the deferred tax assets/liabilities offset by the Group were RMB3,223 million (31 December 2018: RMB2,720 million).

(c) Movement of deferred tax

	Allowance for impairment losses	Fair value adjustments	Employee retirement benefits and accrued staff cost	Others	Total deferred tax
As at 31 December 2018	**23,729**	**(2,542)**	**1,857**	**114**	**23,158**
Recognised in profit or loss	**8,371**	**(72)**	**676**	**81**	**9,056**
Recognised in other comprehensive income	**103**	**(261)**	**18**	**6**	**(134)**
Exchange differences	**6**	**—**	**—**	**(1)**	**5**
As at 31 December 2019	**32,209**	**(2,875)**	**2,551**	**200**	**32,085**
As at 31 December 2017	17,060	3,070	1,562	125	21,817
Change in accounting policy	3,020	(2,588)	—	(10)	422
Recognised in profit or loss	3,633	404	298	2	4,337
Recognised in other comprehensive income	—	(3,430)	(3)	—	(3,433)
Exchange differences	16	2	—	(3)	15
As at 31 December 2018	23,729	(2,542)	1,857	114	23,158

(Amounts in millions of Renminbi unless otherwise stated)

31 Other assets

	Notes	**31 December 2019**	31 December 2018
Advanced payments and settlement accounts		**34,921**	2,356
Assets transfer receivables		**12,698**	—
Prepayments for properties and equipment	(i)	**11,721**	10,833
Assets with continuing involvement		**6,915**	1,588
Fee and commission receivables		**2,716**	3,534
Interest receivables		**2,119**	2,205
Repossessed assets	(ii)	**2,326**	2,203
Precious metal leasing		**3,071**	1,632
Prepayments for assets acquired for finance leases		**4,466**	1,679
Leasehold improvements		**663**	871
Prepaid rent		**45**	985
Land use rights		**—**	993
Others	(iii)	**5,895**	8,574
Total		**87,556**	37,453

Notes:

(i) ***Prepayments for properties and equipment***

Prepayments for properties and equipment are mainly payments the Group made for office premises being constructed.

(ii) ***Repossessed assets***

	Notes	**31 December 2019**	31 December 2018
Premises		**3,491**	2,429
Others		**3**	499
Gross balance		**3,494**	2,928
Less: Allowance for impairment losses	32	**(1,168)**	(725)
Net balance		**2,326**	2,203

As at 31 December 2019, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use (as at 31 December 2018: None).

(iii) ***Others***

Others include provisional legal costs for lawyers, other prepayments, other receivables, etc.

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32 Movements of allowance for impairment losses

	Notes	Year ended 31 December 2019 As at 1 January	Charge/ (reversal) for the year	Write-offs/ transfer out	Others Note (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	18	74	67	—	1	142
Placements with and loans to banks and non-bank financial institutions	19	165	(84)	—	—	81
Financial assets held under resale agreements	21	4	43	—	—	47
Loans and advances to customers	22	101,154	68,793	(60,686)	6,609	115,870
Financial investments	23					
— at amortised cost		3,355	3,589	(186)	—	6,758
— at fair value through other comprehensive income		1,039	678	(90)	4	1,631
Other assets — financial assets (Notes(ii))		12,072	2,493	(10,387)	(130)	4,048
Off balance sheet credit assets	40	4,543	1,100	—	3	5,646
Subtotal		122,406	76,679	(71,349)	6,487	134,223
Allowance for impairment losses on other assets						
Other assets — repossessed assets		725	576	(205)	72	1,168
Subtotal		725	576	(205)	72	1,168

	Notes	Year ended 31 December 2018 As at 1 January	Charge/ (reversal) for the year	Write-offs/ transfer out	Others Note (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	18	60	11	—	3	74
Placements with and loans to banks and non-bank financial institutions	19	165	(1)	—	1	165
Financial assets held under resale agreements	21	37	(33)	—	—	4
Interest receivables		4,970	3,034	(3,606)	(4,398)	—
Loans and advances to customers	22	97,905	47,753	(46,938)	2,434	101,154
Financial investments	23					
— at amortised cost		3,044	999	(689)	1	3,355
— at fair value through other comprehensive income		950	75	—	14	1,039
Other assets — financial assets (Notes(ii))		2,334	6,098	(1,182)	4,822	12,072
Off balance sheet credit assets	40	4,557	(50)	—	36	4,543
Subtotal		114,022	57,886	(52,415)	2,913	122,406
Allowance for impairment losses on other assets						
Other assets — repossessed assets		400	347	(7)	(15)	725
Subtotal		400	347	(7)	(15)	725

Note:

(i) Others include recovery of loans written off, and effect of exchange differences during the year.

(ii) The impairment losses of accrued interest of the financial instruments in this table and its changes are included in "Other assets-financial assets".

(Amounts in millions of Renminbi unless otherwise stated)

33 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2019	31 December 2018
In Mainland China		
— banks	**288,439**	208,427
— non-bank financial institutions	**658,614**	565,387
Subtotal	**947,053**	773,814
Outside Mainland China		
— banks	**1,300**	4,242
— non-bank financial institutions	**59**	57
Subtotal	**1,359**	4,299
Accrued interest	**2,710**	4,151
Total	**951,122**	782,264

34 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	31 December 2019	31 December 2018
In Mainland China		
— banks	**45,488**	58,681
— non-bank financial institutions	**35,562**	47,239
Subtotal	**81,050**	105,920
Outside Mainland China		
— banks	**11,109**	9,197
Accrued interest	**380**	241
Total	**92,539**	115,358

35 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	31 December 2019	31 December 2018
In Mainland China		
— PBOC	**65,329**	93,151
— banks	**46,486**	25,911
— non-bank financial institutions	**—**	1,000
Subtotal	**111,815**	120,062
Outside Mainland China		
— banks	**—**	218
Subtotal	**—**	218
Accrued interest	**23**	35
Total	**111,838**	120,315

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35 Financial assets sold under repurchase agreements (Continued)

(b) Analysed by type of collateral

	31 December 2019	31 December 2018
Discounted bills	**76,229**	33,809
Debt securities	**35,586**	86,471
Accrued interest	**23**	35
Total	**111,838**	120,315

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 31 December 2019, non of the legal title of the collateral pledged disclosed in Note 52 has been transferred to counterparties.

36 Deposits from customers

Analysed by nature:

	31 December 2019	31 December 2018
Demand deposits		
— corporate customers	**1,668,449**	1,516,861
— personal customers	**275,526**	262,960
Subtotal	**1,943,975**	1,779,821
Time and call deposits		
— corporate customers	**1,485,727**	1,382,230
— personal customers	**602,644**	449,549
Subtotal	**2,088,371**	1,831,779
Outward remittance and remittance payables	**6,474**	4,823
Accrued interest	**34,438**	33,188
Total	**4,073,258**	3,649,611

Guarantee deposits included in above deposits:

	31 December 2019	31 December 2018
Bank acceptances	**172,075**	163,066
Guarantees	**21,390**	21,757
Letters of credit	**11,754**	6,234
Others	**93,315**	109,627
Total	**298,534**	300,684

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs

	Notes	Year ended 31 December 2019 As at 1 January	 Additions during the year	 Payments during the year	 As at 31 December
Short-term employee benefits	(a)	**10,386**	**24,752**	**(23,418)**	**11,720**
Post-employment benefits — defined contribution plans	(b)	**31**	**2,770**	**(2,483)**	**318**
Post-employment benefits — defined benefit plans	(c)	**35**	**(14)**	**(2)**	**19**
Other long-term benefits		**97**	**1**	**(23)**	**75**
Total		**10,549**	**27,509**	**(25,926)**	**12,132**

	Notes	Year ended 31 December 2018 As at 1 January	 Additions during the year	 Payments during the year	 As at 31 December
Short-term employee benefits	(a)	8,635	22,660	(20,909)	10,386
Post-employment benefits — defined contribution plans	(b)	34	2,453	(2,456)	31
Post-employment benefits — defined benefit plans	(c)	44	102	(111)	35
Other long-term benefits		125	6	(34)	97
Total		8,838	25,221	(23,510)	10,549

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (Continued)

(a) Short-term employee benefits

	Year ended 31 December 2019			
	As at 1 January	Additions during the year	Payments during the year	As at 31 December
Salaries and bonuses	**9,456**	**20,193**	**(18,664)**	**10,985**
Social insurance	**45**	**1,490**	**(1,470)**	**65**
Welfare expenses	**2**	**1,262**	**(1,263)**	**1**
Housing fund	**8**	**1,250**	**(1,249)**	**9**
Labour union expenses and employee education expenses	**805**	**462**	**(688)**	**579**
Housing allowance	**54**	**8**	**(8)**	**54**
Others	**16**	**87**	**(76)**	**27**
Total	**10,386**	**24,752**	**(23,418)**	**11,720**

	Year ended 31 December 2018			
	As at 1 January	Additions during the year	Payments during the year	As at 31 December
Salaries and bonuses	7,553	17,818	(15,915)	9,456
Social insurance	28	1,469	(1,452)	45
Welfare expenses	—	1,400	(1,398)	2
Housing fund	10	1,300	(1,302)	8
Labour union expenses and employee education expenses	955	416	(566)	805
Housing allowance	75	196	(217)	54
Others	14	61	(59)	16
Total	8,635	22,660	(20,909)	10,386

(b) Post-employment benefits – defined contribution plans

Post-employment benefits defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowance of the employees to the statutory retirement plan under the administration of the government.

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. For the year ended 31 December 2019,The Bank has made annuity contributions at 7% (31 December 2018: 5%) of its employee's gross wages. For the year ended 31 December 2019, the Bank made annuity contribution amounting to RMB1,061 million (year ended 31 December 2018: RMB757 million).

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss when the contribution fall due.

(Amounts in millions of Renminbi unless otherwise stated)

37 Accrued staff costs (Continued)

(c) Post-employment benefits – defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible to join this supplementary retirement benefit plan. The amount that is recognised as at reporting date presents the discounted value of benefit obligation in the future.

The Group's obligations in respect of the supplementary retirement benefit plan as at the reporting date are based on the projected unit credit actuarial cost method and computed by a qualified professional actuary firm (a member of Society of Actuaries in the United States of America).

Save for the disclosed above, the Group has no other material obligation for payment of retirement benefits.

38 Taxes payable

	31 December 2019	31 December 2018
Income tax	**5,012**	1,570
VAT and surcharges	**3,830**	3,342
Others	**23**	8
Total	**8,865**	4,920

39 Debt securities issued

	Notes	**31 December 2019**	31 December 2018
Long-term debt securities issued	(a)	**80,351**	80,296
Subordinated bonds issued:			
— by the Bank	(b)	**81,475**	118,450
— by CBI	(c)	**5,591**	5,520
Certificates of deposit issued	(d)	**2,785**	2,752
Certificates of interbank deposit issued	(e)	**438,830**	341,310
Convertible corporate bonds	(f)	**37,730**	—
Accrued interest		**3,512**	4,155
Total		**650,274**	552,483

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39 Debt securities issued (Continued)

(a) Long-term debt securities issued by the Group as at 31 December:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	31 December 2019 Nominal Value RMB	31 December 2018 Nominal Value RMB
Fixed rate bond	17 April 2017	17 April 2020	4.20%	**50,000**	50,000
Fixed rate bond	24 May 2017	24 May 2020	4.40%	**2,994**	2,993
Fixed rate bond	21 May 2015	25 May 2020	3.98%	**7,000**	7,000
Fixed rate bond	17 November 2015	17 November 2020	3.61%	**8,000**	8,000
Floating rate bond	14 December 2017	14 December 2020	Three-month Libor +0.9%	**4,877**	4,814
Fixed rate bond	14 December 2017	14 December 2020	2.88%	**2,090**	2,063
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	**3,832**	3,783
Fixed rate bond	14 December 2017	15 December 2022	3.13%	**1,741**	1,719
Total nominal value				**80,534**	80,372
Less: Unamortised issuance cost				**(33)**	(76)
Less: offset				**(150)**	—
Carrying value				**80,351**	80,296

(b) The carrying value of the Bank's subordinated bonds issued as at 31 December:

	Notes	31 December 2019	31 December 2018
Subordinated fixed rate bonds maturing:			
— in August 2019	(i)	**—**	36,972
— in May 2025	(ii)	**11,500**	11,500
— in June 2027	(iii)	**19,985**	19,983
— in September 2028	(iv)	**29,990**	30,000
— in October 2028	(v)	**20,000**	19,995
Total		**81,475**	118,450

Notes:

(i) The interest rate on the subordinated fixed rate bonds issued on 26 August 2014 is 6.13% per annum. The Bank has an option to redeem the bonds on 26 August 2019. The bank has early redeemed all of the bonds at face value on 26 August 2019.

(ii) The interest rate on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30% per annum. The Bank has an option to redeem the bonds on 28 May 2020. If they are not redeemed, the interest rate of the bonds will remain at 4.30% per annum for the next five years.

(iii) The interest rate on the subordinated fixed rate bonds issued on 21 June 2012 is 5.15% per annum. The Bank has an option to redeem the bonds on 21 June 2022. If they are not redeemed, the interest rate of the bonds will remain at 5.15% per annum for the next five years.

(iv) The interest rate on the subordinated fixed rate bonds issued on 13 September 2018 is 4.96% per annum. The Bank has an option to redeem the bonds on 13 September 2023. If they are not redeemed, the interest rate of the bonds will remain 4.96% per annum for the next five years

(v) The interest rate on the subordinated fixed rate bonds issued on 22 October 2018 is 4.8% per annum. The Bank has an option to redeem the bonds on 22 October 2023. If they are not redeemed, the interest rate of the bonds will remain 4.8% per annum for the next five years.

(Amounts in millions of Renminbi unless otherwise stated)

39 Debt securities issued (Continued)

(c) The carrying value of CBI's subordinated bonds issued as at 31 December:

	Notes	**31 December 2019**	31 December 2018
Subordinated fixed rate notes maturing:			
— in May 2019	(i)	**—**	2,055
— in June 2020	(ii)	**2,134**	3,465
— in Feb 2024	(iii)	**3,457**	—
Total		**5,591**	5,520

Notes:

(i) CBI issued USD300 million subordinated notes at a coupon rate of 6.00% per annum on 7 November 2013.The notes are listed on the Hong Kong Stock Exchange As at 7 May 2019, CBI redeemed all these subordinated notes.

(ii) CBI issued USD500 million subordinated notes at a coupon rate of 6.875% per annum on 24 June 2010. The notes are listed on the Singapore Exchange. On 28 February 2019, CBI partially redeemed USD196 million of the subordinated notes.

(iii) CBI issued USD500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CBI has an option to redeem these notes on 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

(d) These certificates of deposit were issued by CBI with interest rate ranging 3.13% per annum.

(e) As at 31 December 2019, the Bank had issued certain certificates of interbank deposits, totaling RMB438,830million (as at 31 December 2018: RMB341,310 million), with yield ranging from 2.59% to 3.67% (as at 31 December 2018: 2.80% to 4.86%) per annum. The original expiry terms are between one months to one year.

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39 Debt securities issued (Continued)

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB40 billion A-share convertible corporate bonds on 4 March 2019. The convertible corporate bonds have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day (11 September 2019) after six months upon the completion date of the offering (8 March 2019), until the maturity date (3 March 2025).

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB7.45 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. As the cash dividend was paid on 22 July 2019, the conversion price of the convertible corporate bonds has been adjusted to RMB7.22 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A-shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

These convertible corporate bonds are subject to conditional redemptions. During their conversion period, if the closing prices of the Bank's A-shares are no less than 130% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at their par value plus the current accrued interest, upon approval of the relevant regulatory authorities (if required). In addition, when the total amount of the outstanding convertible corporate bonds is less than RMB30 million, the Bank has the right to redeem all outstanding convertible corporate bonds at their par value plus the current accrued interest.

As at 31 December 2019, convertible corporate bonds of RMB105,000 was converted to 14,533 A-shares.

	Liability	Equity	Total
Issued nominal value of convertible corporate bonds	36,859	3,141	40,000
Direct issuance expenses	(74)	(6)	(80)
Balance at the issuance date	36,785	3,135	39,920
Amortisation	945	—	945
Amount of bonds converted	—	—	—
Ending balance	37,730	3,135	40,865

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40 Provisions

	31 December 2019	31 December 2018
Allowance for impairment losses on off-balance sheet items	**5,646**	4,543
Litigation provisions	**470**	470
Total	**6,116**	5,013

The movement of off-balance sheet allowance for impairment losses is included in the Note 32.

Movement of provisions:

	31 December 2019	31 December 2018
As at 1 January	**470**	394
Accruals	**9**	220
Reversal in the current year	**(1)**	—
Payments	**(8)**	(144)
As at 31 December	**470**	470

41 Other liabilities

	Note	**31 December 2019**	31 December 2018
Settlement and clearing accounts		**6,896**	11,010
Payment and collection accounts		**7,589**	13,829
Deferred emoluments payable	(i)	**8,792**	9,162
Advances and deferred expenses		**5,305**	5,818
Leasing deposits		**1,463**	1,579
Accrued expenses		**111**	741
Precious metal contracts		**—**	1,383
Others		**12,722**	10,539
Total		**42,878**	54,061

Note:

(i) As at 31 December 2019, the deferred emolument payable amounted to RMB8,792 million (31 December 2018: RMB9,162 million). This represents deferred emoluments payable to employees in respect of services provided to the Group. Such amount will be distributed according to plans.

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42 Share capital

	31 December 2019 and 31 December 2018 Number of shares (millions)	Nominal Value
Ordinary shares		
Registered, issued and fully paid:		
A-Share	**34,053**	**34,053**
H-Share	**14,882**	**14,882**
Total	**48,935**	**48,935**

	Note	31 December 2019	31 December 2018
As at 1 January		**48,935**	48,935
Convertible bond settlement	(i)	**—**	—
As at 31 December		**48,935**	48,935

Note:

(i) As at 31 December 2019, convertible corporate bonds of RMB105,000 was converted to 14,533 A-shares.

43 Other equity instruments

	31 December 2019	31 December 2018
Preference shares (Note (i))	**34,955**	34,955
Undated capital bonds (Note (ii))	**39,993**	—
Equity of convertible corporate bonds (Note 39 (f))	**3,135**	—
Total	**78,083**	34,955

(i) Preference shares

Financial instruments in issue	Dividend rate	Issued price (RMB)	Issued number of shares (RMB millions)	Issued nominal value (RMB millions)	Maturity Date	Conversions
Preference shares	3.80%	100	350	35,000	No maturity date	No conversion during the year

35,000 million preference shares of RMB100 each were issued in October 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB34,955 millions as at 31 December 2019. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 56). Dividends are non-cumulative and where payable are paid annually. Dividend rate at the time of issue is 3.8% per annum and will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

43 Other equity instruments (Continued)

(i) Preference shares (Continued)

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in paragraph 2 (3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

These preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

(ii) Undated capital bonds

With the approvals by relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 9 December 2019, and completed the issuance on 11 December 2019. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.20%, resetting every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

These undated capital bonds are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

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43 Other equity instruments (Continued)

(ii) Undated capital bonds (Continued)

Interests attributable to equity instruments' holder:

	31 December 2019	31 December 2018
Total equity attribute to equity holders of the parent company	**517,311**	436,661
Equity attribute to ordinary equity holders of the parent company	**439,228**	401,706
Equity attribute to other equity instruments holders of the parent company	**78,083**	34,955
— Profit for the period/Dividend distribution for the period	**1,330**	1,330
Total equity attribute to non-controlling interests	**15,213**	16,425
Equity attribute to non-controlling interests of ordinary shares	**8,546**	7,933
Equity attribute to non-controlling interests of other equity instruments	**6,667**	8,492

For the year ended 31 December 2019, the Bank paid RMB1,330 million dividend to the preference shareholders (for the year ended 31 December 2018: RMB1,330 million).

44 Capital reserves

	31 December 2019	31 December 2018
Share premium	**58,896**	58,896
Other reserves	**81**	81
Total	**58,977**	58,977

45 Other comprehensive income

Other comprehensive income comprises items that will not be reclassified subsequently to profit or loss, such as net changes on the measurement of defined benefit plan (Note 37) and fair value changes on financial investments designated at fair value through other comprehensive income, and items that may be reclassified subsequently to profit or loss, such as fair value changes on financial assets at fair value through other comprehensive income, credit impairment allowance on financial assets at fair value through other comprehensive income and exchange differences on translation.

(Amounts in millions of Renminbi unless otherwise stated)

46 Surplus reserve

	31 December 2019	31 December 2018
As at 1 January	**34,450**	30,244
Appropriations	**4,559**	4,206
As at 31 December	**39,009**	34,450

Under the relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its profit for the year, as determined under regulations issued by the regulatory bodies of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year to the discretionary surplus reserve upon approval by ordinary shareholders at the Annual General Meeting. The Bank makes its appropriation on an annual basis.

Subject to the approval of ordinary shareholders, statutory surplus reserves may be used for replenishing accumulated losses, if any, and may be converted into share capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before the process.

47 General reserve

	31 December 2019	31 December 2018
As at 1 January	**74,255**	74,251
Appropriations	**7,280**	4
As at 31 December	**81,535**	74,255

Pursuant to relevant Ministry of Finance ("MOF") notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

48 Profit appropriations and retained earnings

(a) Profit appropriations and distributions other than dividends declared during the year

	Notes	**31 December 2019**	31 December 2018
Appropriations to			
— surplus reserve	46	**4,559**	4,206
— general reserve	47	**7,280**	4
As at 31 December		**11,839**	4,210

The Bank appropriated RMB4,559 million to statutory surplus reserve fund for the year of 2019, and appropriated RMB7,278 million to general reserve. The Group's subsidiary, Lin'an rural bank, made appropriations to general reserve in accordance with relevant regulatory requirements.

(b) In accordance with the resolution approved in the Annual General Meeting of the Bank on 24 May 2019, a total amount of approximately RMB11,255 million (RMB2.30 per 10 shares) were distributed in the form of cash dividend to the ordinary shareholders on 22 July 2019.

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(Amounts in millions of Renminbi unless otherwise stated)

48 Profit appropriations and retained earnings (Continued)

(c) In accordance with the resolution approved in the Annual General Meeting of the Bank on 27 August 2019, a total amount of approximately RMB1,330 million (calculated by the bank using the agreed dividend rate of 3.8% with RMB3.80 per share) were distributed in the form of cash dividend to the preference shareholders on 28 October 2019.

(d) On 26 March 2020, the Board of Directors proposed a cash dividend of RMB2.39 per 10 shares in respect of the year 2019. Subject to the approval of the ordinary shareholders at the Annual General Meeting, approximately RMB11,695 million will be payable to those on the register of ordinary shareholders as at the relevant record date. This proposal is a non-adjusting event after the reporting period and has not been recognised as liability as at 31 December 2019.

(e) As at 31 December 2019, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB260 million (as at 31 December 2018: RMB200 million), of which RMB82 million (as at 31 December 2018: RMB56 million) was the appropriation made by the subsidiaries for the year ended 31 December 2019. Such statutory surplus reserves in the retained earnings cannot be distributed.

49 Non-controlling interests

Non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. As at 31 December 2019, other equity instrument holders' interest amounted to RMB6677 million representing other equity instruments issued by CBI on 11 October 2016, and 6 November 2018, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier- One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Payment Frequency
Capital Securities	11 October 2016	USD500 millions	11 October 2021	4.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 3.107% per annum	Semi-annually
Capital Securities	6 November 2018	USD500 millions	6 November 2023	7.10% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 4.151% per annum	Semi-annually

CBI may, at its sole discretion, elect to cancel any payment of coupon, in whole or in part, or redeem Capital Securities in whole on the first call date and any subsequent coupon distribution date, where the holders of these Capital Securities have no right to require CBI to redeem. These Capital Securities listed above are classified as other equity instruments.

A distribution payment of RMB470 million was paid to the holders of the Capital Securities during the year ended 31 December 2019 (the year ended 31 December 2018: RMB289 million).

On 22 April 2019, upon the approval of Hong Kong Monetary Authority and in accordance with the relevant provisions of the Capital Securities, CIFH made early redemption in full of the USD300 million Capital Securities issued on 22 April 2014.

(Amounts in millions of Renminbi unless otherwise stated)

50 Notes to consolidated statement of cash flows

Cash and cash equivalents

	31 December 2019	31 December 2018
Cash	**6,345**	6,188
Cash equivalents		
— Surplus deposit reserve funds	**97,602**	128,423
— Deposits with banks and non-bank financial institutions due within three months when acquired	**39,906**	88,801
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**134,321**	124,923
— Investment securities due within three months when acquired	**64,275**	27,674
Subtotal	**336,104**	369,821
Total	**342,449**	376,009

51 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and bank acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	31 December 2019	31 December 2018
Contractual amount		
Loan commitments		
— with an original maturity within one year	**6,789**	4,521
— with an original maturity of one year or above	**45,422**	35,508
Subtotal	**52,211**	40,029
Bank acceptances	**426,226**	393,851
Credit card commitments	**545,503**	434,590
Letters of guarantee issued	**147,154**	158,813
Letters of credit issued	**103,981**	92,924
Total	**1,275,075**	1,120,207

(Amounts in millions of Renminbi unless otherwise stated)

51 Commitments and contingent liabilities (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	31 December 2019	31 December 2018
Credit risk weighted amount of credit commitments	**398,617**	370,529

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 counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

(c) Capital commitments

(i) The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

	31 December 2019	31 December 2018
For the purchase of property and equipment		
Contracted for	**3,457**	5,356

(ii) The Group announced the approval of the Board of Directors on the establishment of CITIC Bank Financial Management Co., Ltd. (hereinafter "CITIC Bank Financial Management") by the Bank on 13 December 2018, and obtained the approval on establishment from the CBIRC On 4 December 2019. The Bank plans to contribute no more than RMB5 billion, and after the completion of setup preparation, will apply to the CBIRC for its approval on the commencement of business in accordance with relevant regulations and procedures.

(d) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes.

As at 31 December 2019, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB2,436 million (as at 31 December 2018: RMB271 million). Based on the opinion of internal and external legal counsels, the Group had made litigation provisions of RMB8.61 million for the year ended 31 December 2018 (for the year ended 31 December 2018: RMB220 million) against these litigation (Note 40). Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

(Amounts in millions of Renminbi unless otherwise stated)

51 Commitments and contingent liabilities (Continued)

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury 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 dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	31 December 2019	31 December 2018
Redemption commitment for PRC treasury bonds	**11,272**	11,101

The original maturities of these bonds vary from one to five years. Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(f) Underwriting obligations

As at 31 December 2019, the Group did not have unfulfilled commitment in respect of securities underwriting business. (as at 31December 2018: Nil)

52 Collateral

(a) Assets pledged

(i) The carrying amount of financial assets pledged as collateral in the Group's ordinary course of businesses, including repurchase agreements and borrowings from central banks, are disclosed as below:

	31 December 2019	31 December 2018
Debt securities	**367,616**	439,272
Discounted bills	**76,590**	33,955
Others	**181**	172
Total	**444,387**	473,399

As at 31 December 2019 and 31 December 2018, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

(ii) In addition, as at 31 December 2019, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB840million (as at 31 December 2018: RMB1,335 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities as collateral for financial assets held under resale agreements as set out in Note 21. Under the terms of theses agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 31 December 2019, there was no collateral that can be resold or re-pledged by the Group (as at 31 December 2018: Nil). During the year ended 31 December 2019, the Group did not resell or re-pledge any of these collateral (year ended 31 December 2018: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

53 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these corporations, individuals or provident housing fund centre and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group does not expose to credit risk in relation to these transactions, but acts as an agent to hold and manage these assets and liabilities at the instruction of the entrusting parties and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the consolidated statement of financial position. Income received and receivable for providing these services is included in the consolidated statement of profit or loss as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	31 December 2019	31 December 2018
Entrusted loans	**441,142**	640,227
Entrusted funds	**441,143**	640,229

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, including principal guaranteed (Note 59 (c)) and non-principal or interest guaranteed wealth management products (Note 59 (b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognised in the consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 59 (b)).

As at 31 December 2019, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 59 (b).

54 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses are based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

(a) Business segments

The Group has the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury business

This segment conducts capital markets operations, inter-bank operations, which, specifically, includes inter-bank money market transactions, repurchase transactions, and investments and trading in debt instruments. Furthermore, treasury business segment also carries out derivatives and forex trading both for the Group and for customers.

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

In 2019, for internal management purposes, the Bank adjusted the presentation of cash instalment income from the credit card business and the business segments of the Bank and some subsidiaries, and restated the comparative figures.

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(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (Continued)

(a) Business segments (Continued)

	Year ended 31 December 2019				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
External net interest income/(expense)	52,199	70,028	28,032	(22,988)	127,271
Internal net interest income/(expense)	26,809	(38,392)	(20,552)	32,135	—
Net interest income	79,008	31,636	7,480	9,147	127,271
Net fee and commission income/(expense)	12,591	39,017	929	(6,153)	46,384
Other net income (Note (i))	2,191	631	11,067	337	14,226
Operating income	93,790	71,284	19,476	3,331	187,881
Operating expenses					
— depreciation and amortisation	(1,938)	(1,119)	(1,399)	(1,610)	(6,066)
— others	(18,012)	(26,462)	(2,340)	(1,288)	(48,102)
Credit impairment losses	(51,076)	(24,070)	(796)	(737)	(76,679)
Impairment losses on other assets	—	—	—	(576)	(576)
Revaluation gain on investment properties	—	—	—	(15)	(15)
Share of loss of associates and joint ventures	—	—	—	102	102
Profit before tax	22,764	19,633	14,941	(793)	56,545
Income tax					(7,551)
Net profit					48,994
Capital expenditure	1,484	891	1,074	999	4,448

	Year ended 31 December 2019				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,305,553	1,315,035	1,763,646	1,330,432	6,714,666
Interest in associates and joint ventures	—	—	112	3,560	3,672
Deferred tax assets					32,095
Total asset					6,750,433
Segment liabilities	3,274,306	1,876,042	864,467	203,084	6,217,899
Deferred tax liabilities					10
Total liabilities					6,217,909
Off-balance sheet credit commitments	726,272	545,503	—	—	1,275,075

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (Continued)

(a) Business segments (Continued)

	Year ended 31 December 2018				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	53,524	60,669	26,282	(27,563)	112,912
Internal net interest income/(expense)	20,376	(32,179)	(18,935)	30,738	—
Net interest income	73,900	28,490	7,347	3,175	112,912
Net fee and commission income/(expense)	11,253	24,699	1,123	(67)	37,008
Other net income (Note (i))	2,670	4,336	8,242	598	15,846
Operating income	87,823	57,525	16,712	3,706	165,766
Operating expenses					
— depreciation and amortisation	(1,040)	(552)	(640)	(710)	(2,942)
— others	(19,136)	(25,055)	(3,356)	(2,111)	(49,658)
Credit impairment losses	(42,074)	(15,295)	(187)	(330)	(57,886)
Impairment losses on other assets	—	—	—	(347)	(347)
Revaluation gain on investment properties	—	—	—	35	35
Share of loss of associates and joint ventures	—	—	—	(642)	(642)
Profit before tax	25,573	16,623	12,529	(399)	54,326
Income tax					(8,950)
Net profit					45,376
Capital expenditure	1,394	769	851	1,089	4,103

	Year ended 31 December 2018				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,328,330	1,155,488	1,488,115	1,067,726	6,039,659
Interest in associates and joint ventures	—	—	118	3,763	3,881
Deferred tax assets					23,174
Total asset					6,066,714
Segment liabilities	3,046,177	1,538,976	716,638	311,821	5,613,612
Deferred tax liabilities					16
Total liabilities					5,613,628
Off-balance sheet credit commitments	1,027,283	92,924	—	—	1,120,207

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

— "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;

— "Pearl River Delta and West Strait" refers to the following areas where Tier-One branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

— "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

— "Central" region refers to the following areas where Tier-One branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where Tier-One branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

— "Northeastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

— "Overseas" includes all the operations of London branch, CNCB Investment, CIFH and its subsidiaries.

(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (Continued)

(b) Geographical segments (Continued)

	31 December 2019									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	35,906	22,013	6,971	21,000	21,457	2,331	11,490	6,103	–	127,271
Internal net interest income/(expense)	(9,879)	(5,000)	13,226	(6,403)	(9,536)	(501)	18,314	(221)	–	–
Net interest income	26,027	17,013	20,197	14,597	11,921	1,830	29,804	5,882	–	127,271
Net fee and commission income	2,852	2,421	4,232	1,634	1,475	325	32,132	1,313	–	46,384
Other net income (Note (i))	593	199	467	130	175	37	11,753	872	–	14,226
Operating income	29,472	19,633	24,896	16,361	13,571	2,192	73,689	8,067	–	187,881
Operating expense										
– depreciation and amortisation	(933)	(755)	(894)	(695)	(842)	(228)	(1,190)	(529)	–	(6,066)
– others	(8,004)	(5,844)	(7,448)	(5,015)	(4,642)	(1,221)	(12,978)	(2,950)	–	(48,102)
Credit impairment losses	(9,475)	(9,808)	(13,369)	(6,247)	(10,820)	(3,263)	(22,527)	(1,170)	–	(76,679)
Impairment losses on other assets	(169)	–	(205)	(67)	(71)	(19)	–	(45)	–	(576)
Revaluation gain on investment properties	–	–	–	–	–	–	–	(15)	–	(15)
Share of loss of associates and joint ventures	–	–	–	–	–	–	154	(52)	–	102
Profit before tax	10,891	3,226	2,980	4,337	(2,804)	(2,539)	37,148	3,306	–	56,545
Income tax										(7,551)
Profit for the year										48,994
Capital expenditure	475	168	235	125	621	44	2,571	209	–	4,448

	31 December 2019									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,400,247	810,404	1,440,563	656,139	585,993	106,531	2,730,391	327,807	(1,353,409)	6,714,666
Interest in associates and joint ventures	–	–	–	–	–	–	3,027	645	–	3,672
Deferred tax assets										32,095
Total assets										6,750,433
Segment liabilities	1,021,511	624,170	1,212,606	554,658	457,021	94,420	3,312,559	272,066	(1,331,112)	6,217,899
Deferred tax liabilities										10
Total liabilities										6,217,909
Off-balance sheet credit commitments	204,838	149,346	118,966	151,951	82,348	10,047	538,324	19,255	–	1,275,075

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

54 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Year ended 31 December 2018									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	26,679	17,920	14,234	16,865	17,332	2,334	11,644	5,904	—	112,912
Internal net interest income/(expense)	(3,327)	(300)	6,477	(2,907)	(5,703)	(489)	6,578	(329)	—	—
Net interest income	23,352	17,620	20,711	13,958	11,629	1,845	18,222	5,575	—	112,912
Net fee and commission income	3,047	2,756	4,571	1,603	1,603	341	21,648	1,439	—	37,008
Other net income (Note (i))	991	216	638	112	103	26	12,979	781	—	15,846
Operating income	27,390	20,592	25,920	15,673	13,335	2,212	52,849	7,795	—	165,766
Operating expense										
— depreciation and amortisation	(515)	(266)	(375)	(342)	(419)	(127)	(704)	(194)	—	(2,942)
— others	(7,404)	(5,628)	(7,581)	(5,066)	(5,062)	(1,194)	(14,892)	(2,831)	—	(49,658)
Credit impairment losses	(8,378)	(6,669)	(11,366)	(6,131)	(8,000)	(4,419)	(11,821)	(1,102)	—	(57,886)
Impairment losses on other assets	(113)	(9)	(66)	—	(83)	(9)	—	(67)	—	(347)
Revaluation gain on investment properties	—	—	—	—	—	—	—	35	—	35
Share of loss of associates and joint ventures	—	—	—	—	—	—	(288)	(354)	—	(642)
Profit before tax	10,980	8,020	6,532	4,134	(229)	(3,537)	25,144	3,282	—	54,326
Income tax										(8,950)
Profit for the year										45,376
Capital expenditure	331	1,017	171	144	311	42	1,641	446	—	4,103

	31 December 2018									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,184,230	812,520	1,255,616	594,775	539,071	97,329	2,442,818	337,570	(1,224,270)	6,039,659
Interest in associates and joint ventures	—	—	—	—	—	—	2,878	1,003	—	3,881
Deferred tax assets										23,174
Total assets										6,066,714
Segment liabilities	1,191,150	800,478	1,228,822	596,075	524,880	106,680	2,084,629	282,868	(1,201,970)	5,613,612
Deferred tax liabilities										16
Total liabilities										5,613,628
Off-balance sheet credit commitments	189,531	133,112	125,076	140,766	77,284	10,914	427,397	16,127	—	1,120,207

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging loss and other operating income.

55 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— Credit risk: Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

— Market risk: Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.

— Liquidity risk: Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— Operational risk: Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategy risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury businesses and off-balance sheet items.

The Group has standardised management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off the recoverable financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk to the Group caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses

Since 1 January 2018, the Group adapts, the "expected credit loss model" on its debt instruments which are classified as financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and at fair value through other comprehensive income in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses ("ECL"), the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognise ECL and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The allowance of impairment losses of financial instruments in Stage 1 is measured based on the ECL in the next 12 months, which represents the proportion of the ECL in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial instruments to Stage 2, but it will not be considered as credit-impaired instruments. The ECL of financial instruments in Stage 2 is measured based on the lifetime ECL.

Stage 3: If there is a credit impairment in financial instruments, it will be moved to Stage 3. The ECL of financial instruments in Stage 3 is measured based on the lifetime ECL.

POCI financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime ECL.

The Group measures the ECL for financial assets through testing models, which includes expected loss model and discounted cash flows model. The expected loss model method is applicable to assets related to personal client, assets related to corporate client in stage 1 and 2, interbank investments and off-balance sheet credit assets. Discounted cash flows model is applicable to assets related to corporate client in stage 3.

The Group estimate the ECL in accordance with the IFRS 9, the key judgments and assumptions adopted by the Group are as follows:

(1) Significant increase in credit risk

On each reporting date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) credit risk of borrowers declining to Grade 15 or below since initial recognition; (2) adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(2) *Definition of credit-impaired assets*

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties;
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principle, etc;
- The creditor gives the debtor no concession under any other circumstances, for economic or contractual reasons relating to the debtor's financial difficulties;
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's ECL calculation process.

(3) *Inputs for measurement of expected credit losses*

The expected credit loss is measured on either a 12 months or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default ("PD") represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PD and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. The Group has obtained sufficient information to ensure its statistical reliability. ECL of the Group is measured based on the continuous assessment and follow-up of individuals and their financial status.

During the reporting period, there were no significant changes in the estimated technology or key assumptions.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(4) *Forward-looking information*

The assessment of significant increase in credit risk and the calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each asset portfolio.

These economic variables and their associated impact on the PD vary by financial instruments. Expert judgment has been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a quarterly basis, and the impact of these economic variables on the PD and the exposure at default was determined by statistical regression analysis.

In addition to the neutral economic scenario, the Group determine the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures ECL as either a probability weighted 12 months ECL (stage 1) or a probability weighted lifetime ECL (stage 2 and stage 3). These probability-weighted ECL are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as domestic Gross Domestic Product ("GDP"), electricity production and registered urban unemployment rate, etc.

In 2019, the Group has considered different macroeconomic scenarios, and the key macroeconomic scenario assumptions in estimating ECL are set out below:

Variables	**Range**
Growth rate of domestic GDP, year on year	5.70%-6.41%
Accumulated electricity production, year on year	1.76%-7.24%
Registered urban unemployment rate	3.56%-3.73%

Adopt top-down development approach, the Group has established models including different key economic indicators is established with the new actual default rate of regression model, and use the prediction results and historic default information adjustment coefficient calculation, then realise the provisions for forward-looking adjustment.

The Group considers internal and external data, experts predict, and the best estimate of future, to determine the weightings in positive, neutral and negative scenarios. Neutral is defined as the most likely to happen in the future, as compare to other scenarios. Optimistic scenario and pessimistic scenario represents the possible scenario that is better off or worse off scenario compared to neutral scenario respectively. Currently, the weighting of neutral scenario is equal to the sum of the weightings of other scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

For portfolio cannot establish regression model, such as customer default rate is extremely low, or no suitable internal rating data portfolio, etc., the Group mainly uses the regression model has been established a similar combination than expected losses, in order to increase the coverage of existing impairment model.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) *Sensitivity information and management's overlay*

The change of the inputs for measurement of ECL and forward-looking information impact the assessment of significant increase in credit risk and measurement of credit loss.

As at 31 December 2019, assuming the weighting of optimistic scenario increased by 10% while the weighting of neutral scenario decreased by 10%, the allowance for credit impairment losses of the Group will be decreased by RMB2.345 billion (as at 31 December 2018: RMB2.868 billion); assuming the weighting of pessimistic scenario increased by 10% while the weighting of neutral scenario decreased by 10%, the allowance for credit impairment losses of the Group will be increased by RMB1.896 billion (as at 31 December 2018: RMB2.166 billion);

For new changes in the external economic situation not captured by the model, the Group has also considered and increased the allowances for expected credit losses to further improve its risk mitigation capacity.

Allowance for impairment losses of performing loans and advances to customers consists of ECL from Stage 1 and Stage 2 which is measured based on 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact as if the ECL of all performing loans and advancs to customers are measured based on 12 months ECL, holding all other risk profile constant.

	31 December 2019	31 December 2018
Performing loans and advances to customers		
Allowance of impairment losses assuming loans in stage 2 transfer to stage 1	**59,919**	53,070
Impact of stage transfers	**2,098**	1,790
Current allowance for impairment losses	**62,017**	54,860

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the consolidated statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	456,813	—	—	—	456,813
Deposits with bank and non-bank financial institutions	121,297	—	—	—	121,297
Placements with and loans to banks and non-bank financial institutions	204,547	—	—	—	204,547
Derivative financial assets	—	—	—	17,117	17,117
Financial assets held under resale agreements	9,954	—	—	—	9,954
Interest receivables					
Loans and advances to customers	3,798,800	71,130	15,757	6,915	3,892,602
Financial investments					
— at fair value through profit or loss	—	—	—	317,546	317,546
— at amortised cost	907,906	10,458	5,870	—	924,234
— at fair value through other comprehensive income	628,457	123	200	—	628,780
— designated at fair value through other comprehensive income	—	—	—	3,036	3,036
Other financial assets	31,138	2,118	728	—	33,984
Subtotal	6,158,912	83,829	22,555	344,614	6,609,910
Credit commitments	1,266,571	8,316	188	—	1,275,075
Maximum credit risk exposure	7,425,483	92,145	22,743	344,614	7,884,985

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(i) Maximum credit risk exposure (Continued)

	31 December 2018				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	532,520	—	—	—	532,520
Deposits with bank and non-bank financial institutions	99,153	—	—	—	99,153
Placements with and loans to banks and non-bank financial institutions	176,159	—	1	—	176,160
Derivative financial assets	—	—	—	31,991	31,991
Financial assets held under resale agreements	10,790	—	—	—	10,790
Interest receivables	—	—	—	—	—
Loans and advances to customers(note (i))	3,425,701	70,888	19,061	—	3,515,650
Financial investments					
— at fair value through profit or loss	—	—	—	308,872	308,872
— at amortised cost	773,878	3,738	622	—	778,238
— at fair value through other comprehensive income	510,020	105	221	—	510,346
— designated at fair value through other comprehensive income	—	—	—	2,707	2,707
Other financial assets	17,440	2,191	4,667	—	24,298
Subtotal	5,545,661	76,922	24,572	343,570	5,990,725
Credit commitments	1,114,830	5,257	120	—	1,120,207
Maximum credit risk exposure	6,660,491	82,179	24,692	343,570	7,110,932

According to the quality of assets, the Group classified the credit rating of the financial assets as risk level 1, risk level 2, risk level 3 and default. "Risk level 1" refers to customers who have competitive advantages among local peers with good foundations, outstanding operation results, strong operational and financial strength, and/or good corporate governance structure. "Risk level 2" refers to customers who are in the middle tier among local peers with fair foundations, fair operation results, fair operational and financial strength, and/or fair corporate governance structure. "Risk level 3" refers to customers who are in the lower-tier among local peers, with weak foundations, poor operation results, poor operational and financial strength, and/or deficiency in corporate governance structure. The definition of "Default" is same as the definition of credit-impaired. The credit rating is used for internal risk management.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(i) Maximum credit risk exposure (Continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	31 December 2019						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note(i))							
Stage 1	3,143,219	621,373	69,770	—	3,834,362	(35,562)	3,798,800
Stage 2	2,154	11,153	83,911	—	97,218	(26,088)	71,130
Stage 3	—	—	—	69,596	69,596	(53,839)	15,757
Financial investments at amortised cost							
Stage 1	830,071	80,948	501	—	911,520	(3,614)	907,906
Stage 2	—	10,792	—	—	10,792	(334)	10,458
Stage 3	—	—	—	8,698	8,698	(2,828)	5,870
Financial investments at fair value through other comprehensive income							
Stage 1	577,688	50,769	—	—	628,457	(1,331)	628,457
Stage 2	—	123	—	—	123	(3)	123
Stage 3	—	—	—	200	200	(297)	200
Maximum credit risk exposure	4,553,132	775,158	154,182	78,494	5,560,966	(123,896)	5,438,701

	31 December 2018						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note(i))							
Stage 1	2,713,135	683,890	60,616	—	3,457,641	(31,940)	3,425,701
Stage 2	414	9,373	83,889	—	93,676	(22,788)	70,888
Stage 3	—	—	—	65,433	65,433	(46,372)	19,061
Financial investments at amortised cost							
Stage 1	671,939	104,619	—	—	776,558	(2,680)	773,878
Stage 2	—	3,890	—	—	3,890	(152)	3,738
Stage 3	—	—	—	1,160	1,160	(538)	622
Financial investments at fair value through comprehensive income							
Stage 1	493,858	16,162	—	—	510,020	(727)	510,020
Stage 2	—	105	—	—	105	(2)	105
Stage 3	—	—	—	221	221	(310)	221
Maximum credit risk exposure	3,879,346	818,039	144,505	66,814	4,908,704	(105,509)	4,804,234

Note:

Loans and advances to customers includes loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment does not include in the "Allowance for impairment losses" as shown in the table.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(ii) Measurement of expected credit losses

The following table shows the movement in carrying value of loans and advances to customers in current reporting period:

	31 December 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**3,457,641**	**93,676**	**65,433**
Movements			
Net transfers out from Stage 1	**(113,799)**	**—**	**—**
Net transfers in to Stage 2	**—**	**42,217**	**—**
Net transfers in to Stage 3	**—**	**—**	**71,582**
Net transactions incurred during the year (Note(i))	**486,777**	**(38,913)**	**(6,733)**
Write-off	**—**	**—**	**(60,686)**
Others (Note(ii))	**3,743**	**238**	**—**
As at 31 December 2019	**3,834,362**	**97,218**	**69,596**

	31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	3,036,736	92,227	67,933
Movements			
Net transfers out from Stage 1	(84,271)	—	—
Net transfers in to Stage 2	—	11,115	—
Net transfers in to Stage 3	—	—	73,156
Net transactions incurred during the year (Note(i))	495,119	(10,215)	(28,961)
Write-off	—	—	(46,938)
Others (Note(ii))	10,057	549	243
As at 31 December 2018	3,457,641	93,676	65,433

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) *Sensitivity information and management's overlay (Continued)*

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	31 December 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**1,286,574**	**3,995**	**1,385**
Movements			
Net transfers out from Stage 1	**(11,260)**	**—**	**—**
Net transfers in to Stage 2	**—**	**10,368**	**—**
Net transfers in to Stage 3	**—**	**—**	**892**
Net transactions incurred during the year (Note(i))	**253,869**	**(3,516)**	**6,810**
Write-off	**—**	**—**	**(186)**
Others (Note(ii))	**10,794**	**68**	**(3)**
As at 31 December 2019	**1,539,977**	**10,915**	**8,898**

	31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	1,064,552	347	45
Movements			
Net transfers out from Stage 1	(8,430)	—	—
Net transfers in to Stage 2	—	3,875	—
Net transfers in to Stage 3	—	—	4,555
Net transactions incurred during the year (Note(i))	227,172	(236)	(2,528)
Write-off	—	—	(689)
Others (Note(ii))	3,280	9	2
As at 31 December 2018	1,286,574	3,995	1,385

Notes:

(i) Net transactions incurred during the year mainly includes changes in carrying amount due to purchased, originated or de-recognition excepting for write-off.

(ii) Others include changes of interest receivables, and effect of exchange differences during the year.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	31 December 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**32,072**	**22,788**	**46,372**
Movements (Note(i))			
Net transfers out from Stage 1	**(2,328)**	**—**	**—**
Net transfers in to Stage 2	**—**	**6,134**	**—**
Net transfers in to Stage 3	**—**	**—**	**42,339**
Net transactions incurred during the year (Note(ii))	**5,769**	**(8,610)**	**(1,738)**
Changes in parameters for the year (Note(iii))	**327**	**5,747**	**21,153**
Write-off	**—**	**—**	**(60,686)**
Others (Notes(iv))	**175**	**29**	**6,413**
As at 31 December 2019	**36,015**	**26,088**	**53,853**

	31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	30,664	24,674	42,565
Movements (Note(i))			
Net transfers out from Stage 1	(1,870)	—	—
Net transfers in to Stage 2	—	515	—
Net transfers in to Stage 3	—	—	48,640
Net transactions incurred during the year (Note(ii))	4,702	(1,838)	(1,337)
Changes in parameters for the year (Note(iii))	(1,540)	(625)	1,107
Write-off	—	—	(46,938)
Others (Notes(iv))	116	62	2,335
As at 31 December 2018	32,072	22,788	46,372

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	31 December 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**3,407**	**154**	**848**
Movements (Note(i))			
Net transfers out from Stage 1	**(56)**	**—**	**—**
Net transfers in to Stage 2	**—**	**195**	**—**
Net transfers in to Stage 3	**—**	**—**	**138**
Net transactions incurred during the year (Note(ii))	**1,610**	**(12)**	**2,135**
Changes in parameters for the year (Note(iii))	**(23)**	**—**	**190**
Write-off	**—**	**—**	**(186)**
Others (Notes(iv))	**(7)**	**—**	**—**
As at 31 December 2019	**4,945**	**337**	**3,125**

	31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	3,953	10	31
Movements (Note(i))			
Net transfers out from Stage 1	(239)	—	—
Net transfers in to Stage 2	—	144	—
Net transfers in to Stage 3	—	—	1,843
Net transactions incurred during the year (Note(ii))	370	—	—
Changes in parameters for the year (Note(iii))	(703)	—	(341)
Write-off	—	—	(689)
Others (Notes(iv))	26	—	4
As at 31 December 2018	3,407	154	848

Notes:

(i) Movements in allowance for impairment during the year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions incurred during the year mainly includes changes in allowance for impairment due to financial assets purchased, originated or de-recognition (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and the impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements,.

(iv) Others include recovery of loans written off, changes of impairment losses of interest receivables, and effect of exchange differences.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(iii) Loans and advances to customers analysed by industry sector:

	31 December 2019			31 December 2018		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— rental and business services	**352,732**	**8.8**	**190,879**	282,699	7.8	177,013
— real estate	**288,975**	**7.2**	**256,672**	312,923	8.7	273,640
— water, environment and public utility management	**268,942**	**6.7**	**124,285**	208,922	5.8	106,882
— manufacturing	**257,675**	**6.4**	**114,547**	295,005	8.2	140,199
— transportation, storage and postal services	**152,127**	**3.8**	**70,036**	151,038	4.2	76,331
— wholesale and retail	**146,883**	**3.7**	**87,346**	151,391	4.2	89,064
— construction	**94,701**	**2.4**	**44,461**	79,086	2.2	31,980
— production and supply of electric power, gas and water	**66,215**	**1.7**	**47,132**	72,938	2.0	40,669
— public management and social organisations	**12,743**	**0.3**	**6,733**	13,366	0.4	2,721
— others	**314,526**	**7.8**	**135,663**	313,757	8.6	128,377
Subtotal	**1,955,519**	**48.8**	**1,077,754**	1,881,125	52.1	1,066,876
Personal loans	**1,730,814**	**43.2**	**1,142,987**	1,484,490	41.0	1,000,203
Discounted bills	**311,654**	**7.7**	**—**	242,797	6.7	—
Accrued interest	**10,104**	**0.3**	**—**	8,338	0.2	—
Gross loans and advances to customers	**4,008,091**	**100.0**	**2,220,741**	3,616,750	100.0	2,067,079

(iv) Loans and advances to customers analysed by geographical sector:

	31 December 2019			31 December 2018		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**1,224,035**	**30.5**	**420,248**	1,123,293	31.1	426,447
Yangtze River Delta	**920,846**	**23.0**	**592,602**	784,722	21.7	507,327
Pearl River Delta and West Strait	**598,313**	**14.9**	**472,112**	549,491	15.2	448,719
Central	**534,366**	**13.3**	**329,238**	463,100	12.8	296,286
Western	**474,109**	**11.8**	**275,498**	433,143	12.0	269,765
Northeastern	**77,694**	**1.9**	**55,767**	75,682	2.1	51,582
Outside Mainland China	**168,624**	**4.3**	**75,276**	178,981	4.9	66,953
Accrued interest	**10,104**	**0.3**	**—**	8,338	0.2	—
Total	**4,008,091**	**100.0**	**2,220,741**	3,616,750	100.0	2,067,079

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(v) Loans and advances to customers analysed by type of security

	31 December 2019	31 December 2018
Unsecured loans	**976,047**	806,154
Guaranteed loans	**489,545**	492,382
Secured loans	**2,220,741**	2,067,079
— loans secured by collateral	**1,822,815**	1,658,484
— pledged loans	**397,926**	408,595
Subtotal	**3,686,333**	3,365,615
Discounted bills	**311,654**	242,797
Accrued interest	**10,104**	8,338
Gross loans and advances to customers	**4,008,091**	3,616,750

(vi) Rescheduled loans and advances to customers

	31 December 2019		31 December 2018	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances:	**22,792**	**0.57%**	21,588	0.60%
— rescheduled loans and advances overdue more than 3 months	**10,800**	**0.27%**	18,748	0.52%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated after their credit condition declined. And for the purpose of management, the group reorganizes the loans that have been classified as bad under the premise of satisfying credit enhancement, aiming at the deterioration of the borrower's financial position before the loan matures. As at 31 December 2019, with borrowers' financial difficulty, the concession the Group considered resulted from economic or legal reasons is not significant.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(vii) Debt securities analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. The carrying amounts of debt instruments investments analysed by rating as at the end of the reporting period are as follows:

	31 December 2019					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**490,734**	**175,718**	**14,895**	**1,786**	**—**	**683,133**
— policy banks	**94,455**	**—**	**—**	**6,062**	**—**	**100,517**
— public entities	**—**	**102**	**346**	**—**	**—**	**448**
— banks and non-bank financial institutions	**35,558**	**321,254**	**6,151**	**25,349**	**9,531**	**397,843**
— corporates	**44,596**	**36,881**	**11,023**	**15,593**	**9,188**	**117,281**
Investment management products managed by securities companies	**185,854**	**—**	**406**	**—**	**17**	**186,277**
Trust investment plans	**157,194**	**—**	**—**	**—**	**—**	**157,194**
Total	**1,008,391**	**533,955**	**32,821**	**48,790**	**18,736**	**1,642,693**

	31 December 2018					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities issued by:						
— governments	371,368	114,370	11,693	265	—	497,696
— policy banks	108,816	8,664	—	7,016	—	124,496
— public entities	178	29	1,666	—	—	1,873
— banks and non-bank financial institutions	26,995	181,031	4,569	23,595	9,591	245,781
— corporates	55,240	48,675	10,047	7,230	6,254	127,446
Investment management products managed by securities companies	228,392	—	—	—	—	228,392
Trust investment plans	178,019	—	—	—	—	178,019
Total	969,008	352,769	27,975	38,106	15,845	1,403,703

Note:

(i) Unrated debt securities held by the Group are primarily bonds issued by the Chinese government, policy banks, banks, non-bank financial institutions, investment management products managed by securities companies and trust investment plans.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management's overlay (Continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	31 December 2019	31 December 2018
Investment management products managed by securities companies and trust investment plans		
— credit assets	**265,969**	300,089
— rediscounted bills	**80,513**	89,831
— interbank assets products issued by other banks	**—**	16,650
Total	**346,482**	406,570

The Group divides investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral, and pledge.

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organisational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorisation limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimise the term structure of its deposits accordingly.

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(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

The following tables summarise the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

	31 December 2019						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.55%	463,158	17,743	445,415	—	—	—
Deposits with banks and non-bank financial institutions	2.00%	121,297	1,349	53,285	66,663	—	—
Placements with and loans to banks and non-bank financial institutions	2.82%	204,547	1,218	149,333	39,546	14,450	—
Financial assets held under resale agreements	2.13%	9,954	—	9,954	—	—	—
Loans and advances to customers (Note (ii))	5.08%	3,892,602	9,958	1,580,543	1,155,741	317,997	828,363
Financial investments							
— at fair value through profit or loss		317,546	219,536	49,923	26,845	15,508	5,734
— at amortised cost	4.39%	924,234	112	362,026	78,763	367,340	115,993
— at fair value through other comprehensive income							
— designated at fair value through	3.66%	628,780	427	44,913	92,694	348,325	142,421
other comprehensive income		3,036	3,036	—	—	—	—
Others		185,279	185,279	—	—	—	—
Total assets		6,750,433	438,658	2,695,392	1,460,252	1,063,620	1,092,511
Liabilities							
Borrowing from central banks	3.34%	240,298	—	11,358	228,940	—	—
Deposits from banks and non-bank financial institutions	2.79%	951,122	2,710	702,939	245,473	—	—
Placements from banks and non-bank financial institutions	2.84%	92,539	484	57,432	31,714	2,909	—
Financial liabilities at fair value through profit or loss		847	716	131	—	—	—
Financial assets sold under repurchase agreements	2.39%	111,838	23	80,155	31,660	—	—
Deposits from customers	2.08%	4,073,258	50,932	2,782,857	645,144	593,397	928
Debt securities issued	3.80%	650,274	3,512	71,769	458,267	9,022	107,704
Lease liabilities	4.68%	10,896	790	11	108	5,303	4,684
Others		86,837	86,837	—	—	—	—
Total liabilities		6,217,908	146,004	3,706,652	1,641,306	610,631	113,316
Interest rate gap		532,524	292,654	(1,011,260)	(181,054)	452,989	979,195

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	31 December 2018						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.54%	538,708	17,047	521,661	—	—	—
Deposits with banks and non-bank financial institutions	2.22%	99,153	114	94,039	5,000	—	—
Placements with and loans to banks and non-bank financial institutions	3.38%	176,160	873	129,236	46,051	—	—
Financial assets held under resale agreements	2.59%	10,790	—	10,790	—	—	—
Loans and advances to customers (Note (ii))	4.86%	3,515,650	8,635	1,577,525	918,215	996,066	15,209
Financial investments							
— at fair value through profit or loss		308,872	225,164	28,057	26,624	20,915	8,112
— at amortised cost	4.71%	778,238	8,541	67,972	181,186	388,840	131,699
— at fair value through other comprehensive income	3.80%	510,346	8,529	42,830	73,607	288,337	97,043
— designated at fair value through other comprehensive income		2,707	2,707	—	—	—	—
Others		126,090	124,208	1,711	171	—	—
Total assets		6,066,714	395,818	2,473,821	1,250,854	1,694,158	252,063
Liabilities							
Borrowing from central banks	3.29%	286,430	—	68,350	218,080	—	—
Deposits from banks and non-bank financial institutions	3.54%	782,264	4,151	553,283	224,660	170	—
Placements from banks and non-bank financial institutions	3.49%	115,358	241	83,859	31,224	—	34
Financial liabilities at fair value through profit or loss		962	962	—	—	—	—
Financial assets sold under repurchase agreements	2.84%	120,315	35	110,790	9,490	—	—
Deposits from customers	1.88%	3,649,611	20,940	2,605,686	647,223	375,730	32
Debt securities issued	4.52%	552,483	4,155	98,144	247,974	95,260	106,950
Others		106,205	104,823	1,382	—	—	—
Total liabilities		5,613,628	135,307	3,521,494	1,378,651	471,160	107,016
Interest rate gap		453,086	260,511	(1,047,673)	(127,797)	1,222,998	145,047

Notes:

(i) Average interest rate represented the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category included overdue amounts (net of allowance for impairment losses) of RMB43,791 million as at 31 December 2019 (as at 31 December 2018: RMB42,289 million).

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 31 December 2019 and 31 December 2018.

	31 December 2019		31 December 2018	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(11,471)**	**(3,407)**	(11,435)	(1,409)
-100 basis points	**11,471**	**3,407**	11,435	1,409

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the after three months but within one year bracket are both reprice or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows:

	31 December 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	445,569	16,679	694	216	463,158
Deposits with banks and non-bank financial institutions	96,334	16,579	2,598	5,786	121,297
Placements with and loans to banks and non-bank financial institutions	123,725	55,649	20,516	4,657	204,547
Financial assets held under resale agreements	9,954	—	—	—	9,954
Loans and advances to customers	3,655,998	112,700	105,842	18,062	3,892,602
Financial investments					
— at fair value through profit or loss	293,217	20,862	3,467	—	317,546
— at amortised cost	922,228	2,006	—	—	924,234
— at fair value through other comprehensive income	538,355	64,153	17,903	8,369	628,780
— designated at fair value through other comprehensive income	2,557	178	301	—	3,036
Others	175,304	4,679	4,550	746	185,279
Total assets	6,263,241	293,485	155,871	37,836	6,750,433
Liabilities					
Borrowings from central banks	240,298	—	—	—	240,298
Deposits from banks and non-bank financial institutions	942,867	7,842	331	82	951,122
Placements from banks and non-bank financial institutions	75,315	16,858	216	150	92,539
Financial liabilities at fair value through profit or loss	715	132	—	—	847
Financial assets sold under repurchase agreements	111,838	—	—	—	111,838
Deposits from customers	3,700,005	200,762	154,291	18,200	4,073,258
Debt securities issued	628,885	21,389	—	—	650,274
Lease liabilities	10,183	4	559	150	10,896
Others	80,992	1,724	3,855	266	86,837
Total liabilities	5,791,098	248,711	159,252	18,848	6,217,909
Net on-balance sheet position	472,143	44,774	(3,381)	18,988	532,524
Credit commitments	1,169,606	84,385	13,294	7,790	1,275,075
Derivatives (Note (i))	(9,194)	(27,398)	45,836	(7,770)	1,474

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows: (Continued)

	31 December 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	525,321	12,668	535	184	538,708
Deposits with banks and non-bank financial institutions	64,670	23,757	2,429	8,297	99,153
Placements with and loans to banks and non-bank financial institutions	123,262	41,291	9,137	2,470	176,160
Financial assets held under resale agreements	9,832	958	—	—	10,790
Loans and advances to customers	3,263,386	122,573	109,773	19,918	3,515,650
Financial investments					
— at fair value through profit or loss	287,997	18,146	2,729	—	308,872
— at amortised cost	775,749	2,489	—	—	778,238
— at fair value through other comprehensive income	429,671	50,766	23,970	5,939	510,346
— designated at fair value through other comprehensive income	2,340	155	212	—	2,707
Others	121,762	1,858	515	1,955	126,090
Total assets	5,603,990	274,661	149,300	38,763	6,066,714
Liabilities					
Borrowings from central banks	286,430	—	—	—	286,430
Deposits from banks and non-bank financial institutions	777,789	2,582	131	1,762	782,264
Placements from banks and non-bank financial institutions	101,094	14,139	125	—	115,358
Financial liabilities at fair value through profit or loss	—	962	—	—	962
Financial assets sold under repurchase agreements	120,097	218	—	—	120,315
Deposits from customers	3,283,244	205,993	138,905	21,469	3,649,611
Debt securities issued	531,768	20,715	—	—	552,483
Others	93,020	3,626	7,625	1,934	106,205
Total liabilities	5,193,442	248,235	146,786	25,165	5,613,628
Net on-balance sheet position	410,548	26,426	2,514	13,598	453,086
Credit commitments	1,004,799	95,187	12,862	7,359	1,120,207
Derivatives (Note (i))	33,795	(38,861)	22,205	(14,261)	2,878

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 31 December 2019 and 31 December 2018, the results of the Group's foreign exchange rate sensitivity analysis.

	31 December 2019		31 December 2018	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**3,529**	**23**	582	(1)
5% depreciation	**(3,529)**	**(23)**	(582)	1

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

— Liquidity gap analysis;

— Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, net stable funding ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring;

— Scenario analysis;

— Stress testing.

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(c) Liquidity risk (Continued)

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

Analysis of the remaining contractual maturity of assets and liabilities:

	31 December 2019						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Assets							
Cash and balances with central banks	104,114	–	3,080	–	–	355,964	463,158
Deposits with banks and non-bank financial institutions	39,476	14,100	67,721	–	–	–	121,297
Placements with and loans to banks and non-bank financial institutions	–	150,131	39,858	14,558	–	–	204,547
Financial assets held under resale agreements	–	9,954	–	–	–	–	9,954
Loans and advances to customers (Note (ii))	27,210	695,697	928,062	691,475	1,478,383	71,775	3,892,602
Financial investments							
— at fair value through profit or loss	819	49,394	27,738	15,979	5,754	217,862	317,546
— at amortised cost	8,714	69,541	160,329	470,798	214,740	112	924,234
— at fair value through other comprehensive income	134	34,824	94,189	357,203	142,426	4	628,780
— designated at fair value through other comprehensive income	–	–	–	–	–	3,036	3,036
Others	74,094	11,457	10,812	36,027	84	52,805	185,279
Total assets	254,561	1,035,098	1,331,789	1,586,040	1,841,387	701,558	6,750,433
Liabilities							
Borrowings from central banks	–	11,358	236,569	–	–	–	240,298
Deposits from banks and non-bank financial institutions	402,889	302,059	246,174	–	–	–	951,122
Placements from banks and non-bank financial institutions	–	57,594	32,010	2,935	–	–	92,539
Financial liabilities at fair value through profit or loss	715	–	–	–	–	132	847
Financial assets sold under repurchase agreements	–	80,177	31,661	–	–	–	111,838
Deposits from customers	2,010,162	828,467	639,909	593,583	1,137	–	4,073,258
Debt securities issued	–	71,846	460,610	9,071	108,747	–	650,274
Lease liabilities	168	784	2,225	6,562	1,157		10,896
Others	43,902	6,785	6,893	13,493	6,927	8,837	86,837
Total liabilities	2,457,836	1,359,070	1,648,422	625,644	117,968	8,969	6,217,909
(Short)/long position	(2,203,275)	(323,972)	(316,633)	960,396	1,723,419	692,589	532,524

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities: (Continued)

	31 December 2018						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note (i))	Total
Assets							
Cash and balances with central banks	134,917	—	1,288	—	—	402,503	538,708
Deposits with banks and non-bank financial institutions	65,701	28,245	5,207	—	—	—	99,153
Placements with and loans to banks and non-bank financial institutions	—	129,317	46,843	—	—	—	176,160
Financial assets held under resale agreements	—	10,790	—	—	—	—	10,790
Loans and advances to customers (Note (ii))	7,117	585,723	952,830	910,098	1,022,976	36,906	3,515,650
Financial investments							
— at fair value through profit or loss	—	30,418	43,589	29,476	8,115	197,274	308,872
— at amortised cost	—	68,375	182,641	394,010	132,878	334	778,238
— at fair value through other comprehensive income	31	39,437	75,556	295,308	99,920	94	510,346
— designated at fair value through other comprehensive income	—	—	—	—	—	2,707	2,707
Others	34,630	17,382	12,238	28,655	180	33,005	126,090
Total assets	242,396	909,687	1,320,192	1,657,547	1,264,069	672,823	6,066,714
Liabilities							
Borrowings from central banks	80	68,350	218,000	—	—	—	286,430
Deposits from banks and non-bank financial institutions	319,576	236,910	225,607	171	—	—	782,264
Placements from banks and non-bank financial institutions	—	84,099	31,225	—	34	—	115,358
Financial liabilities at fair value through profit or loss	962	—	—	—	—	—	962
Financial assets sold under repurchase agreements	—	110,823	9,492	—	—	—	120,315
Deposits from customers	1,880,088	746,341	647,718	375,432	32	—	3,649,611
Debt securities issued	—	98,205	247,992	97,354	108,932	—	552,483
Others	50,170	16,677	16,827	6,554	4,419	11,558	106,205
Total liabilities	2,250,876	1,361,405	1,396,861	479,511	113,417	11,558	5,613,628
(Short)/long position	(2,008,480)	(451,718)	(76,669)	1,178,036	1,150,652	661,265	453,086

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow:

	31 December 2019						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	104,114	1,407	7,624	—	—	355,964	469,109
Deposits with banks and non-bank financial institutions	39,476	14,168	69,201	—	—	—	122,845
Placements with and loans to banks and non-bank financial institutions	—	155,306	40,902	15,580	—	—	211,788
Financial assets held under resale agreements	—	10,002	—	—	—	—	10,002
Loans and advances to customers(Notes(ii))	27,210	735,040	1,025,345	1,000,430	2,084,351	77,504	4,949,880
Financial investments							
— at fair value through profit or loss	819	60,220	28,771	16,380	5,754	217,862	329,806
— at amortised cost	8,714	78,104	191,311	563,757	224,657	118	1,066,661
— at fair value through other comprehensive income	134	38,162	109,737	395,348	156,066	4	699,451
— designated at fair value through other comprehensive income	—	—	—	—	—	3,036	3,036
Others	74,094	11,457	10,812	36,027	84	52,805	185,279
Total assets	254,561	1,103,866	1,483,703	2,027,522	2,470,912	707,293	8,047,857
Liabilities							
Borrowings from central banks	—	11,358	236,569	—	—	—	247,927
Deposits from banks and non-bank financial institutions	402,889	487,768	324,097	84,721	—	—	1,299,475
Placements from banks and non-bank financial institutions	—	57,594	32,039	2,935	—	—	92,568
Financial liabilities at fair value through profit or loss	715	—	—	—	—	132	847
Financial assets sold under repurchase agreements	—	80,728	32,077	—	—	—	112,805
Deposits from customers	2,010,162	842,424	673,137	668,153	1,336	—	4,195,212
Debt securities issued	—	78,869	472,403	119,387	108,747	—	779,406
Lease liabilities	168	787	2,285	7,341	1,603	—	12,184
Others	43,902	6,785	6,895	13,493	6,927	8,837	86,839
Total liabilities	2,457,836	1,566,313	1,779,502	896,030	118,613	8,969	6,827,263
(Short)/long position	(2,203,275)	(462,447)	(295,799)	1,131,492	2,352,299	698,324	1,220,594
Derivative cash flow							
Derivative financial instrument settled on a net basis	—	32	146	77	(12)	—	243
Derivative financial instruments settled on a gross basis							
— cash inflow	—	748,197	568,296	58,470	—	73	1,375,036
— cash outflow	—	(395,774)	(563,552)	(58,322)	—	—	(1,017,648)

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued).

	31 December 2018						
	Repayable on demand	Within three months	Between Three months and one year	Between One and five years	More than five years	Undated (Note (i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	134,721	1,621	6,608	–	–	402,503	545,453
Deposits with banks and non-bank financial institutions	67,502	29,625	5,326	–	–	–	102,453
Placements with and loans to banks and non-bank financial institutions	–	134,633	57,838	–	–	–	192,471
Financial assets held under resale agreements	–	10,795	–	–	–	–	10,795
Loans and advances to customers (Notes(ii))	8,797	620,238	1,042,464	1,197,180	1,536,250	40,738	4,445,667
Financial investments							
— at fair value through profit or loss	–	35,039	47,703	31,114	88,205	200,776	402,837
— at amortised cost	–	74,135	201,371	418,337	163,300	5,880	863,023
— at fair value through other comprehensive income	31	43,751	97,680	375,381	145,474	11,941	674,258
— designated at fair value through other comprehensive income	–	–	–	–	–	2,406	2,406
Others	34,630	17,381	12,239	28,655	180	33,275	126,360
Total assets	245,681	967,218	1,471,229	2,050,667	1,933,409	697,519	7,365,723
Liabilities							
Borrowings from central banks	80	64,769	226,130	–	–	–	290,979
Deposits from banks and non-bank financial institutions	573,392	662,179	485,918	31,575	–	–	1,753,064
Placements from banks and non-bank financial institutions	–	89,065	40,706	–	34	–	129,805
Financial liabilities at fair value through profit or loss	962	–	–	–	–	–	962
Financial assets sold under repurchase agreements	–	110,983	9,483	155	–	–	120,621
Deposits from customers	1,880,996	760,404	679,534	429,917	40	–	3,750,891
Debt securities issued	–	98,780	306,786	180,166	108,932	–	694,664
Others	50,171	16,677	16,827	6,554	4,419	11,558	106,206
Total liabilities	2,505,601	1,802,857	1,765,384	648,367	113,425	11,558	6,847,192
(Short)/long position	(2,259,920)	(835,639)	(294,155)	1,402,300	1,819,984	685,961	518,531
Derivative cash flow							
Derivative financial instrument settled on a net basis	–	(56)	44	128	23	–	139
Derivative financial instruments settled on a gross basis							
— cash inflow	–	1,194,286	1,244,844	48,220	–	–	2,487,350
— cash outflow	–	(802,726)	(1,243,629)	(48,151)	–	–	(2,094,506)

(Amounts in millions of Renminbi unless otherwise stated)

55 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Credit Commitments include bank acceptances, credit card commitments, guarantees, loan commitment and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	31 December 2019			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank acceptancess	**426,226**	**—**	**—**	**426,226**
Credit card commitments	**538,861**	**6,387**	**255**	**545,503**
Guarantees	**96,576**	**49,086**	**1,492**	**147,154**
Loan commitments	**16,448**	**18,779**	**16,984**	**52,211**
Letter of credit	**101,948**	**2,033**	**—**	**103,981**
Total	**1,180,059**	**76,285**	**18,731**	**1,275,075**

	31 December 2018			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank acceptancess	393,851	—	—	393,851
Credit card commitments	427,681	6,909	—	434,590
Guarantees	83,905	68,354	6,554	158,813
Loan commitments	7,033	15,578	17,418	40,029
Letter of credit	90,634	2,290	—	92,924
Total	1,003,104	93,131	23,972	1,120,207

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For placements with and loans to banks and non-bank financial institutions, loans and advances to customers and investments, the undated period amount represented the balances being impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

55 Financial risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

— by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

— through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

— promoting operational risk management culture throughout the organisation; building a team of operational risk management professionals. Through formal training and performance appraisal system in raising risk management awareness;

— strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure the staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

— backup systems and disaster recovery plans covering all the major activities, especially backoffice operations in order to minimise any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group's management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

56 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testings and other measures to forecast, plan and manage capital adequacy ratio.

The Group's management monitors the Group's and the Bank's capital adequacy regularly based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank semi-annually and quarterly, respectively.

From 1 January 2013, the Group commenced the computation of its capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations promulgated by the CBIRC in the year of 2012. From 1 January 2019 on, the Group calculates the default risk assets of the counterparties of derivatives in accordance with the Regulations on Measuring the Risk Assets of the Counterparties of Derivative Instruments promulgated by the CBIRC in 2018. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

(Amounts in millions of Renminbi unless otherwise stated)

56 Capital Adequacy Ratio (Continued)

CBIRC demands that commercial banks shall meet the capital adequacy requirements set out in the "Capital Management Measures for Commercial Banks (Trial)" by the end of 2018. Systematically important banks are required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%. Non-systematically important bank are required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%. In addition, overseas subsidiaries and branches are directly regulated by the respective local banking regulators and the requirements of capital adequacy ratios differ by country. During the year, the Group has complied in full with all its externally imposed capital requirements.

The capital adequacy ratios calculated in accordance with Regulation Governing Capital of Commercial Banks (Provisional). According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach.

Relevant requirements promulgated by the CBIRC are listed as below.

	31 December 2019	31 December 2018
Core Tier-One capital adequacy ratio	**8.69%**	8.62%
Tier-One capital adequacy ratio	**10.20%**	9.43%
Capital adequacy ratio	**12.44%**	12.47%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Qualified portion of capital reserve and other equity instruments	**62,112**	58,977
Other comprehensive income	**7,361**	5,269
Surplus reserve	**39,009**	34,450
General reserve	**81,535**	74,255
Retained earnings	**203,411**	179,820
Qualified portion of non-controlling interests	**4,627**	4,422
Total core Tier-One capital	**446,990**	406,128
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(912)**	(896)
Other intangible assets other than land use right (net of related deferred tax liability)	**(1,875)**	(1,878)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	**—**	—
Net core Tier-One capital	**444,203**	403,354
Other Tier-One capital (Note (i))	**77,555**	37,768
Tier-One capital	**521,758**	441,122
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**63,151**	104,515
Surplus allowance for loan impairment	**49,753**	37,122
Qualified portion of non-controlling interests	**1,235**	634
Net capital base	**635,897**	583,393
Total risk-weighted assets	**5,113,585**	4,677,713

Note:

(i) As at 31 December 2019, the Group's other Tier-One capital included preference shares issued by the Bank (Note 43) and non-controlling interests (Note 49).

57 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the evaluation results provided by China Central Depository & Clearing Corporate Limited. This level also includes partial bills rediscounting and forfeiting in loans and advances, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the evaluation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting and forfeiting use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

Level 3: inputs for assets or liabilities are based on unobservable parameters. This level includes equity investments and debt instruments with one or more than one significant unobservable parameters. Management determine the fair value through inquiring from counterparties or using the valuation techniques. The model incorporate unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the fair valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the year ended 31 December 2019, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include cash and balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers at amortised cost, financial investments at amortised cost, borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		Fair values	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
Financial assets:				
Financial investment				
— at amortised cost	**924,234**	778,238	**938,830**	778,779
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**2,863**	2,813	**2,789**	2,752
— debt securities issued	**81,196**	82,091	**80,619**	80,625
— subordinated bonds issued	**89,555**	126,269	**89,937**	126,041
— certificates of interbank deposit issued	**438,830**	341,310	**431,706**	335,475
— convertible corporate bonds	**37,830**	—	**37,730**	—

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value (Continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investment				
— at amortised cost	**2,063**	**663,508**	**273,259**	**938,830**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**—**	**2,789**	**—**	**2,789**
— debt securities issued	**—**	**80,619**	**—**	**80,619**
— subordinated bonds issued	**5,789**	**84,148**	**—**	**89,937**
— certificates of interbank deposit issued	**—**	**431,706**	**—**	**431,706**
— convertible corporate bonds	**—**	**37,730**	**—**	**37,730**

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investment				
— at amortised cost	2,109	501,890	274,780	778,779
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	—	2,752	—	2,752
— debt securities issued	—	80,625	—	80,625
— subordinated bonds issued	5,642	120,399	—	126,041
— certificates of interbank deposit issued	—	335,475	—	335,475

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2019				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	—	922	—	922
— discounted bills	—	307,867	—	307,867
Loans and advances to customers at fair value through current profit or loss				
— personal loans	—	—	6,915	6,915
Financial investments at fair value through profit or loss				
— debt securities	2,086	30,417	10,367	42,870
— investment funds	9,962	196,224	12,305	218,491
— certificates of deposit	—	46,792	—	46,792
— wealth management products	—	133	819	952
— equity instruments	1,185	—	7,239	8,424
— trust investment plans	17	—	—	17
Financial investments at fair value through other comprehensive income				
— debt securities	86,557	516,989	13,248	616,794
— certificates of deposit	361	4,505	—	4,866
Financial investments designated at fair value through other comprehensive income				
— equity instruments	205	123	2,708	3,036
Derivative financial assets				
— interest rate derivatives	2	5,201	—	5,203
— currency derivatives	—	11,700	—	11,700
— precious metals derivatives	—	214	—	214
— credit derivatives	—	—	—	—
Total financial assets measured at fair value	**100,375**	**1,121,087**	**53,601**	**1,275,063**
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	132	—	—	132
— structured products	—	—	715	715
Derivative financial liabilities				
— interest rate derivatives	—	5,176	—	5,176
— currency derivatives	29	10,899	—	10,928
— precious metals derivatives	—	732	—	732
— commodity derivatives	—	—	—	—
Total financial liabilities measured at fair value	**161**	**16,807**	**715**	**17,683**

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2018				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	—	137	—	137
— discounted bills	—	96,383	—	96,383
Financial investments at fair value through profit or loss				
— debt securities	2,815	62,319	6,786	71,920
— investment funds	4,879	178,451	5,846	189,176
— certificates of deposit	—	16,713	—	16,713
— wealth management products	—	—	116	116
— equity instruments	540	—	3,921	4,461
— trust investment plans	—	—	26,486	26,486
Financial investments at fair value through other comprehensive income				
— debt securities	64,506	421,783	4,726	491,015
— certificates of deposit	662	11,982	—	12,644
Financial investments designated at fair value through other comprehensive income				
— equity instruments	295	—	2,412	2,707
Derivative financial assets				
— interest rate derivatives	8	6,098	—	6,106
— currency derivatives	—	24,825	1	24,826
— precious metals derivatives	—	1,048	—	1,048
— credit derivatives	—	11	—	11
Total financial assets measured at fair value	73,705	819,750	50,294	943,749
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	962	—	—	962
Derivative financial liabilities				
— interest rate derivatives	12	5,962	—	5,974
— currency derivatives	—	24,500	1	24,501
— precious metals derivatives	—	1,170	—	1,170
— commodity derivatives	—	1	—	1
Total financial liabilities measured at fair value	974	31,633	1	32,608

(Amounts in millions of Renminbi unless otherwise stated)

57 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

Notes:

(i) During the current year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets					Liabilities		
	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**	**Financial assets designated at fair value through other comprehensive income**	**Derivative financial assets**	**Total**	**Financial liabilities at fair value through profit or loss**	**Derivative financial liabilities**	**Total**
As at 1 January 2019	**43,155**	**4,726**	**2,412**	**1**	**50,294**	**–**	**(1)**	**(1)**
Total gains or losses								
– in profit or loss	**924**	**(226)**	**(17)**	**–**	**681**	**–**	**–**	**–**
– in comprehensive income	**–**	**145**	**14**	**–**	**159**	**–**	**–**	**(715)**
Purchase	**17,819**	**12,159**	**785**	**–**	**30,763**	**(715)**	**–**	**–**
Settlements	**(31,095)**	**(3,557)**	**(486)**	**(1)**	**(35,139)**	**–**	**1**	**1**
Transfer in/out	**(68)**	**–**	**–**	**–**	**(68)**	**–**	**–**	**–**
Exchange effect	**(5)**	**1**	**–**	**–**	**(4)**	**–**	**–**	**–**
As at 31 December 2019	**30,730**	**13,248**	**2,708**	**–**	**46,686**	**(715)**	**–**	**–**

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy :

	Assets					Liabilities	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets designated at fair value through other comprehensive income	Derivative financial assets	Total	Derivative financial liabilities	Total
As at 1 January 2018	45,535	4,850	237	1	50,623	(1)	(1)
Total gains or losses							
– in profit or loss	194	(40)	–	1	155	(1)	(1)
– in comprehensive income	–	102	(9)	–	93	–	–
Purchase	8,549	1,700	2,185	–	12,434	–	–
Settlements	(11,105)	(1,926)	–	(1)	(13,032)	1	1
Transfer in/out	–	39	–	–	39	–	–
Exchange effect	(18)	1	(1)	–	(18)	–	–
As at 31 December 2018	43,155	4,726	2,412	1	50,294	(1)	(1)

58 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Corporation Limited (incorporated in mainland China), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in mainland China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC Corporation Limited and CITIC Group. The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business. These transactions are eliminated on consolidation.

The Bank issued 2,147,469,539 shares to CNTC through private placement on 31 December 2015, representing 4.39% shares of the Bank. A non-executive director designated by CNTC was appointed on 17 March 2016, and the appointment was approved by the CBIRC on 24 June 2016. CNTC is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

In February 2015, Xinhu Zhongbao Co., Ltd. acquired 2,292,579,000 H shares of the Bank through its wholly owned subsidiary, representing 4.68% shares of the Bank. A non-executive director designated by Xinhu Zhongbao Co., Ltd. was appointed on 17 March 2016, and the appointment was approved by the CBIRC on 16 November 2016. Xinhu Zhongbao Co., Ltd. is thereafter regarded as the Group's related party, as it has significant influence upon the Bank. On 29 November 2016, Xinhu Zhongbao Co., Ltd., increased its shareholding to 2,320,177,000 H shares of the Bank through its wholly owned subsidiary, representing 4.74% shares of the Bank. In October 2017, Xinhu Zhongbao Co., Ltd. increased its shareholding to 2,446,265,000 H shares of the Bank through its wholly owned subsidiary, representing 4.999% shares of the Bank.

Poly Group acquired 27,216,400 A shares of the Bank through the secondary market, representing 0.06% shares of the Bank. A non-executive director designated by Poly Group was appointed and sent to the bank on 25 May 2018. Poly Group is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (Continued)

(b) Related party transactions (Continued)

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Year ended 31 December 2019		
	Ultimate holding company and affiliates	**Other major equity holders Note (i)**	**Associates and joint ventures**
Profit and loss			
Interest income	**1,426**	**793**	**253**
Fee and commission income and other operating income	**2,073**	**252**	**—**
Interest expense	**(782)**	**(1,210)**	**(34)**
Net trading loss	**17**	**—**	**—**
Other service fees	**(1,501)**	**(1,050)**	**(3)**

	Year ended 31 December 2018		
	Ultimate holding company and affiliates	Other major equity holders Note (i)	Associates and joint ventures
Profit and loss			
Interest income	244	4	63
Fee and commission income and other operating income	1,240	2	—
Interest expense	(445)	(869)	(17)
Net trading gain	(32)	—	—
Other service fees	(1,398)	—	—

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (Continued)

(b) Related party transactions (Continued)

	31 December 2019		
	Ultimate holding company and affiliates	**Other major equity holders Note (i)**	**Associates and joint ventures**
Assets			
Gross loans and advances to customers	31,742	23,372	—
Less: allowance for impairment losses on loans and advances	(527)	(572)	—
Loans and advances to customers (net)	31,215	22,800	—
Deposits with banks and non-bank financial institutions	51	—	21,056
Placements with and loans to banks and non-bank financial institutions	2,879	—	—
Derivative financial assets	207	—	—
Investment in financial assets			
— at fair value through profit or loss	901	—	—
— at amortised cost	1,722	3,500	—
— at fair value through other comprehensive income	226	1,237	—
— designated at fair value through other comprehensive income	107	—	—
Investments in associates and joint ventures	—	—	3,672
Right-of-use assets	74	5	—
Other assets	11,183	150	—
Liabilities			
Deposits from banks and non-bank financial institutions	30,219	2,340	1,511
Placements from banks and non-bank financial institutions	649	—	—
Derivative financial liabilities	342	—	—
Deposits from customers	63,050	57,112	51
Employee benefits payable	12	—	—
Lease liability	70	4	—
Other liabilities	1,622	—	—
Off-balance sheet items			
Guarantees and letters of credit	9	935	—
Acceptances	2,336	258	—
Entrusted funds	35,284	3,048	—
Entrusted loans	11,989	8,117	—
Funds raised from investors of non-principle guaranteed wealth management products	2,933	—	—
Guarantees received	58,903	36,951	—
Nominal amount of derivatives	55,574	—	—

(Amounts in millions of Renminbi unless otherwise stated)

58 Related parties (Continued)

(b) Related party transactions (Continued)

	31 December 2018		
	Ultimate holding company and affiliates	Other major equity holders Note (i)	Associates and joint ventures
Assets			
Gross loans and advances to customers	10,645	14,363	—
Less: allowance for impairment losses on loans and advances	(258)	(417)	—
Loans and advances to customers (net)	10,387	13,946	—
Deposits with banks and non-bank financial institutions	—	—	5,364
Placements with and loans to banks and non-bank financial institutions	1,547	—	—
Derivative financial assets	60	—	—
Investment in financial assets			
— at fair value through profit or loss	310	—	—
— at amortised cost	4,258	4,318	—
Investments in associates and joint ventures	—	—	3,881
Other assets	10,941	—	—
Liabilities			
Deposits from banks and non-bank financial institutions	25,710	178	1,201
Placements from banks and non-bank financial institutions	2,503	—	—
Derivative financial liabilities	24	—	—
Deposits from customers	37,496	41,756	17
Other liabilities	1,222	—	—
Off-balance sheet items			
Guarantees and letters of credit	1,828	452	—
Acceptances	72	—	—
Entrusted funds	45,729	6,641	—
Entrusted loans	18,514	12,540	—
Funds raised from investors of non-principle guaranteed wealth management products	707	—	—
Guarantees received	52,986	9,638	—
Nominal amount of derivatives	7,950	—	—

Note:

(i) Other major equity holders include CNTC, Xinhu Zhongbao Co., Ltd. and Poly Group.

The amounts disclosed represented those transactions or balances when they were considered as related parties of the Group during the relevant periods. The transactions between the subsidiaries of CNTC/Poly Group and the Group are not significant in 2019.

58 Related parties (Continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 31 December 2019 to directors, supervisors and executive officers amounted to RMB1.51million (as at 31 December 2018: RMB0.40 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank as at 31 December 2019 amounted to RMB33.74 million (as at 31 December 2018: RMB38.59 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 37 (b)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries and Poly Group's indirect subsidiaries, include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— derivative transactions;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

(Amounts in millions of Renminbi unless otherwise stated)

59 Structured entities

(a) Unconsolidated structured entities sponsored and managed by third parties

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 31 December 2019 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated statement of financial position under which relevant assets are recognised:

	31 December 2019				
	Carrying amount				
	Financial investments at fair value through profit or loss	**Financial investments at amortised cost**	**Financial investments at fair value through other Comprehensive income**	**Total**	**Maximum loss exposure**
Wealth management product of other banks	**133**	**—**	**—**	**133**	**133**
Investment management products managed by securities companies	**—**	**186,217**	**—**	**186,217**	**186,217**
Turst management plans	**17**	**160,248**	**—**	**160,265**	**160,265**
Asset-backed securities	**87**	**101,684**	**132,222**	**233,993**	**233,993**
Investment funds	**218,491**	**—**	**—**	**218,491**	**218,491**
Total	**218,728**	**448,149**	**132,222**	**799,099**	**799,099**

	31 December 2018				
	Carrying amount				
	Financial investments at fair value through profit or loss	Financial investments at amortised cost	Financial investments at fair value through other Comprehensive income	Total	Maximum loss exposure
Wealth management product of other banks	116	—	—	116	116
Investment management products managed by securities companies	—	228,502	—	228,502	228,502
Turst management plans	26,486	151,582	—	178,068	178,068
Asset-backed securities	1,289	39,846	61,994	103,129	103,129
Investment funds	189,176	—	—	189,176	189,176
Total	217,067	419,930	61,994	698,991	698,991

The maximum exposures to risk in the above wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities managed by securities companies and trust investment funds are the carrying value of the assets held by the Group at the reporting date. The maximum exposures to risk in the asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items under which these assets are presented in the consolidated statement of financial position.

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59 Structured entities (Continued)

(b) Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

As at 31 December 2019, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,200,192 million (31 December 2018: RMB1,058,907 million).

During the year ended 31 December 2019, the Group's interest in these wealth management products included fee and commission income of RMB935 million (2018: RMB2,628 million); interest income of RMB1,259 million (2018: RMB2,271 million) and interest expense of RMB846 million (2018: RMB620 million).

As at 31 December 2019, the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group amounted to RMB53,500 million (31 December 2018: RMB63,500 million), while the placements from these wealth management products to the Group amounted to RMB35,162 million (31 December 2018: RMB44,605 million). During the year ended 31 December 2019, the amount of maximum exposure of the placements and financial assets held under resale agreements from the Group with these wealth management products sponsored by the Group was RMB60,077 million (31 December 2018: RMB68,144 million), and the amount of maximum exposure of the placements from these wealth management products to the Group was RMB12,711 million (31 December 2018: RMB13,435 million). These transactions were conducted under normal business terms and conditions.

In 2019, the Group purchased fixed income assets of RMB23,875 million (2018: Nil) from above-mentioned structured entities, and the considerations of such assets were based on the fair value of their underlying assets at the time of purchase.

On December 31, 2019, the assets under the abovementioned financial management services included RMB166,444 million (31 December 2018: RMB188,892 million) managed by subsidiaries and associated enterprises of the CITIC Group.

(c) Principal guaranteed wealth management products sponsored and managed by the Group

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial assets and financial liabilities items in accordance with the Group's accounting policies based on the nature of the assets and liabilities.

60 Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial de-recognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 35. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the year ended 31 December 2019 totally RMB77,356 million (year ended 31 December 2018: RMB227,518 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets based on the criteria as detailed in Note 4 (c) and Note 5.

During the year ended 31 December 2019, the Group entered into securitisation transactions and structured transfers on assets usufruct backed by financial assets transferred with book value before impairment of RMB67,562 million (year ended 31 December 2018: RMB192,665 million). RMB44,594 million of this balance (year ended 31 December 2018: RMB7,197 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. The Group also recognised other assets and other liabilities of RMB5,859 million (year ended 31 December 2018: RMB897 million) arising from such continuing involvement. The remaining balance of the loans transferred were qualified for full de-recognition.

Loan transfers

During the year ended 31 December 2019, the Group also through other types of transactions transferred loans of book value before impairment of RMB9,794 million (during the year of 2018: RMB34,853 million). All of them are non-performing loans. The Group carried out assessment based on the criteria as detailed in Note 4 (c) and Note 5 (iv) and concluded that these transferred assets qualified for full de-recognition.

61 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

As at 31 December 2019, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

62 Statements of financial position and changes in equity of the Bank

Statement of financial position

	31 December 2019	31 December 2018
Assets		
Cash and balances with central banks	**455,377**	533,393
Deposits with banks and non-bank financial institutions	**108,523**	78,758
Precious metals	**6,865**	4,988
Placements with and loans to banks and non-bank financial institutions	**164,896**	144,364
Derivative financial assets	**11,250**	26,571
Financial assets held under resale agreements	**9,954**	10,790
Loans and advances to customers	**3,673,860**	3,285,963
Financial investments		
— at fair value through profit or loss	**308,577**	293,542
— at amortised cost	**924,028**	777,883
— at fair value through other comprehensive income	**557,543**	449,350
— designated at fair value through other comprehensive income	**2,581**	2,242
Investments in subsidiaries and joint ventures	**25,163**	25,008
Property, plant and equipment	**21,931**	20,956
Right-of-use assets	**11,743**	—
Intangible assets	**1,347**	1,301
Deferred tax assets	**31,334**	22,458
Other assets	**78,114**	33,108
Total assets	**6,393,086**	5,710,675
Liabilities		
Borrowings from central banks	**240,258**	286,350
Deposits from banks and non-bank financial institutions	**955,451**	782,768
Placements from banks and non-bank financial institutions	**42,241**	71,482
Financial liabilities at fair value through profit or loss	**—**	962
Derivative financial liabilities	**10,907**	25,784
Financial assets sold under repurchase agreements	**111,838**	120,095
Deposits from customers	**3,824,031**	3,397,318
Accrued staff costs	**10,879**	9,508
Taxes payable	**7,929**	4,086
Lease liabilities	**10,255**	—
Provisions	**6,027**	4,944
Debt securities issued	**638,839**	541,053
Other liabilities	**35,606**	44,800
Total liabilities	**5,894,261**	5,289,150
Equity		
Share capital	**48,935**	48,935
Preference shares	**78,083**	34,955
Capital reserve	**61,359**	61,359
Other comprehensive income	**6,332**	5,167
Surplus reserve	**39,009**	34,450
General reserve	**80,648**	73,370
Retained earnings	**184,459**	163,289
Total equity	**498,825**	421,525
Total liabilities and equity	**6,393,086**	5,710,675

(Amounts in millions of Renminbi unless otherwise stated)

62 Statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity

	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2018/ As at 1 January 2019	**48,935**	**34,955**	**61,359**	**5,167**	**34,450**	**73,370**	**163,289**	**421,525**
(i) Net profit	—	—	—	—	—	—	**45,592**	**45,592**
(ii) Other comprehensive income	—	—	—	**1,165**	—	—	—	**1,165**
Total comprehensive income	—	—	—	**1,165**	—	—	**45,592**	**46,757**
(iii) Investor capital								
— Issue convertible bonds	—	**3,135**	—	—	—	—	—	**3,135**
(iv) Issue other equity instruments								
— Preferred stock	—	—	—	—	—	—	—	—
— Undated capital bonds	—	**39,993**	—	—	—	—	—	**39,993**
(v) Profit appropriations								
— Appropriations to surplus reserve	—	—	—	—	**4,559**		**(4,559)**	—
— Appropriations to general reserve	—	—	—	—		**7,278**	**(7,278)**	—
— Dividend distribution to ordinary shareholders of the bank	—	—	—	—	—	—	**(11,255)**	**(11,255)**
— Dividend distribution to preference shareholders of the bank	—	—	—	—	—	—	**(1,330)**	**(1,330)**
As at 31 December 2019	**48,935**	**78,083**	**61,359**	**6,332**	**39,009**	**80,648**	**184,459**	**498,825**

	Share capital	Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2017	48,935	34,955	61,359	(9,782)	31,183	73,370	147,982	388,002
Changes in accounting policy	—	—	—	4,478	(939)	—	(8,442)	(4,903)
As at 1 January 2018	48,935	34,955	61,359	(5,304)	30,244	73,370	139,540	383,099
(i) Net profit	—	—	—	—	—	—	42,057	42,057
(ii) Other comprehensive income	—	—	—	10,471	—	—	—	10,471
Total comprehensive income	—	—	—	10,471	—	—	42,057	52,528
(iii) Profit appropriations								
— Appropriations to surplus reserve	—	—	—	—	4,206	—	(4,206)	—
— Dividend distribution to ordinary shareholders of the bank	—	—	—	—	—	—	(12,772)	(12,772)
— Dividend distribution to preference shareholders of the bank	—	—	—	—	—	—	(1,330)	(1,330)
As at 31 December 2018	48,935	34,955	61,359	5,167	34,450	73,370	163,289	421,525

For the year ended 31 December 2019
(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors

(a) Directors and supervisors' emoluments

The remuneration of the Bank's director and supervisor is set out below:

For the year ended 31 December 2019

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind (note (vii)) RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Li Qingping Note (i)	–	–	–	–	–	–	–	–	–
Fang Heying	–	825	1,124	–	38	245	–	–	2,232
Guo Danghuai	–	600	764	–	38	241	–	–	1,643
Non-executive directors									
Cao Guoqiang Note (i)	–	–	–	–	–	–	–	–	–
Huang Fang Note (i)	–	–	–	–	–	–	–	–	–
Wan Liming Note (i)	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
He Cao	300	–	–	–	–	–	–	–	300
Chen Lihua	300	–	–	–	–	–	–	–	300
Qian Jun	300	–	–	–	–	–	–	–	300
Ying Liji	300	–	–	–	–	–	–	–	300
Supervisors									
Liu Cheng	–	700	790	–	38	149	–	–	1,677
Deng Changqing Note (i)	–	–	–	–	–	–	–	–	–
Wang Xiuhong	300	–	–	–	–	–	–	–	300
Jia Xiangsen	300	–	–	–	–	–	–	–	300
Zheng Wei	300	–	–	–	–	–	–	–	300
Chen Panwu	–	440	1,483	–	51	208	–	–	2,182
Zeng Yufang	–	330	702	–	38	213	–	–	1,283
Li Gang	–	390	990	–	51	224	–	–	1,655
Former Directors and Supervisors resigned in 2019									
Sun Deshun Note (ii)	–	525	733	–	22	125	–	–	1,405
Cheng Pusheng Note (iii)	–	360	910	–	44	165	–	–	1,479

(Amounts in millions of Renminbi unless otherwise stated)

63 Benefits and interests of directors and supervisors (Continued)

(a) Directors and supervisors' emoluments (Continued)

For the year ended 31 December 2018

	Emoluments paid or receivable in respect of services as director or supervisor of the Group								
Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Allowances and benefits in kind (note (vii)) RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director and supervisor RMB'000	Emoluments paid or receivable in respect of director or supervisor's other services in connection with the management of the affairs of the Group RMB'000	Total RMB'000
Executive directors									
Li Qingping	–	–	–	–	–	–	–	–	–
Fang Heying	–	600	652	–	132	184	–	–	1,568
Non-executive directors									
Cao Guoqiang	–	233	229	–	104	63	–	–	629
Huang Fang	–	–	–	–	–	–	–	–	–
Wan Liming	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
He Cao	300	–	–	–	–	–	–	–	300
Chen Lihua	300	–	–	–	–	–	–	–	300
Qian Jun	300	–	–	–	–	–	–	–	300
Ying Liji	82	–	–	–	–	–	–	–	82
Supervisors									
Liu Cheng	–	467	451	–	47	99	–	–	1,064
Deng Changqing	–	–	–	–	–	–	–	–	–
Wang Xiuhong	300	–	–	–	–	–	–	–	300
Jia Xiangsen	300	–	–	–	–	–	–	–	300
Zheng Wei	300	–	–	–	–	–	–	–	300
Cheng Pusheng	–	360	2,373	–	164	178	–	–	3,075
Chen Panwu	–	440	2,327	–	179	184	–	–	3,130
Zeng Yufang	–	330	2,457	–	117	329	–	–	3,233
Former Directors and Supervisors resigned in 2018									
Chang Zhenming	–	–	–	–	–	–	–	–	–
Shu Yang	225	–	–	–	–	–	–	–	–
Wu Xiaoqing	225	–	–	–	–	–	–	–	225
Wang Lianzhang	–	–	–	–	–	–	–	–	225
Zhu Gaoming	–	–	–	–	–	–	–	–	–
Sun Deshun	–	900	1,124	–	222	209	–	–	2,455

63 Benefits and interests of directors and supervisors (Continued)

(a) Directors and supervisors' emoluments (Continued)

Notes:

(i) Mrs. Li Qingping, Mr. Cao Guoqiang, Mrs. Huang Fang, Mr. Wan Liming, and Mr. Deng Changqing did not receive any eTwo of the four directors are delegated by CITIC Limited and CITIC Group ("parent companies"). Their emoluments were paid by the Group. The other two directors and the supervisor are delegated respectively by Xinhu Zhongbao Co., Ltd, CNTC and Poly Group and provide service to both the parent company and the bank. Their emolument allocation are not disclosed due to the difficulty to differentiate the services provided by the four directors and the supervisor.

(ii) Mr. Sun Deshun resigned in February, 2019

(iii) Mr. Cheng Pusheng resigned in May, 2019

(b) Other benefits and interests

No direct or indirect retirement benefits and termination benefits were paid to directors as at 31 December 2019 (as at December 2018: Nil).

For the year ended 31 December 2019 and 31 December 2018, the balance of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors was not significant.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 2019 (2018: Nil).

64 Events after the reporting period

(a) Since the novel coronavirus outbreak (hereinafter referred to as the "covid-19 outbreak") in January 2020, and the disease control and prevention efforts have been going on across China and other countries and regions. The Group has been devoting full attention and resources to implementing the state's decisions and deployment, applying itself in supporting the real economy, and facilitating disease control and prevention through effective financial services.

The covid-19 outbreak has created considerable impact on the overall economic activities and the business operations of certain enterprises, and accordingly has affected the credit quality of and return on the financial assets of the Group, the extent of which will depend on the development and duration of the disease, effectiveness of disease control and prevention efforts, the impact of the disease on customers in different regions and industries, as well as the implementation and effectiveness of relevant regulation policies. The Group will stay alert to and updated on the development of the disease, and continue to assess the impact of the covid-19 outbreak on the financial position and operating results of the Group and actively take response actions as needed.

(b) With the approvals of the regulatory authorities and the Board of Directors, CITIC Bank was cleared to make a public offering of RMB50 billion special financial bonds for small and micro enterprises (Special SmE Bonds) in the national interbank bond market.

On 18 March 2020, CITIC Bank issued the 2020 Series 1 Special SmE Bonds. The funds raised will be used to provide loans to small and micro enterprises to help them overcome the difficult period caused by the covid-19 outbreak. The three-year bonds have a coupon rate of 2.75%. The Series 2 will be issued as needed, with a total amount of no more than RMB20 billion.

65 Comparative data

Certain comparative data has been restated to conform to the presentation of the current year.

(Amounts in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated financial statements for the year ended at 31 December 2019, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2019 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the profit for the year ended 31 December 2019 or total equity as at 31 December 2019 between the Group's consolidated financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	31 December 2019	31 December 2018
Liquidity coverage ratio	**149.27%**	114.33%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk management of Commercial Banks (Provisional) issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

3 Currency concentrations

	31 December 2019			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**293,485**	**155,871**	**37,836**	**487,192**
Spot liabilities	**248,711**	**159,252**	**18,848**	**426,811**
Forward purchases	**945,039**	**205,182**	**116,561**	**1,266,782**
Forward sales	**(964,382)**	**(159,262)**	**(124,628)**	**(1,248,272)**
Options	**(8,018)**	**(33)**	**283**	**(7,768)**
Net long position	**514,835**	**361,010**	**48,900**	**924,745**

	31 December 2018			
	US Dollars	HK Dollars	Others	Total
Spot assets	291,086	143,406	33,019	467,511
Spot liabilities	276,119	147,045	(4,303)	418,861
Forward purchases	1,240,838	194,757	53,275	1,488,870
Forward sales	(1,256,218)	(172,554)	(67,729)	(1,496,501)
Options	(23,481)	2	193	(23,286)
Net long position	528,344	312,656	14,455	855,455

(Amounts in millions of Renminbi unless otherwise stated)

4 International claims

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial investments, etc.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2019			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**44,407**	**282**	**51,506**	**96,195**
— of which attributed to Hong Kong	**16,746**	**274**	**46,779**	**63,799**
Europe	**6,080**	**3**	**12,537**	**18,620**
North and South America	**29,206**	**44,910**	**55,626**	**129,742**
Africa	**—**	**—**	**—**	**—**
Total	**79,693**	**45,195**	**119,669**	**244,557**

	31 December 2018			
	Banks	Official sector	Non-bank private sector	Total
Asia Pacific excluding Mainland China	25,970	314	63,854	90,138
— of which attributed to Hong Kong	16,335	307	56,098	72,740
Europe	6,025	3	12,350	18,378
North and South America	25,623	41,616	65,373	132,612
Africa	186	—	—	186
Total	57,804	41,933	141,577	241,314

(Amounts in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	31 December 2019		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Credit impaired loans**
Bohai Rim (including Head Office)	**1,224,035**	**17,896**	**24,327**
Yangtze River Delta	**920,846**	**5,926**	**7,968**
Pearl River Delta and West Strait	**598,313**	**8,733**	**12,606**
Central	**534,366**	**6,818**	**9,006**
Western	**474,109**	**5,928**	**9,332**
Northeastern	**77,694**	**3,051**	**4,148**
Outside Mainland China	**168,624**	**1,791**	**946**
Accrued interest	**10,104**	**—**	**—**
Total	**4,008,091**	**50,143**	**68,333**

	31 December 2018		
	Gross loans and advances	Loans and advances overdue over 3 months	Credit impaired loans
Bohai Rim (including Head Office)	1,123,293	23,325	25,738
Yangtze River Delta	784,722	8,582	9,193
Pearl River Delta and West Strait	549,491	7,506	7,729
Central	463,100	7,994	8,565
Western	433,143	6,475	7,638
Northeastern	75,682	4,903	5,083
Outside Mainland China	178,981	384	1,470
Accrued interest	8,338	—	—
Total	3,616,750	59,169	65,416

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

	31 December 2019	31 December 2018
Gross amounts due from banks and other financial institutions which have been overdue	**—**	1
As a percentage of total gross amounts due from banks and other financial institutions	**—**	0.00036%

(Amounts in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (Continued)

(b) Gross amounts of overdue loans and advances to customers

	31 December 2019	31 December 2018
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**13,950**	13,181
— between 6 and 12 months	**15,910**	20,011
— over 12 months	**20,283**	25,977
Total	**50,143**	59,169
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.35%**	0.37%
— between 6 and 12 months	**0.40%**	0.55%
— over 12 months	**0.50%**	0.72%
Total	**1.25%**	1.64%

— The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

— 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 are repayable on demand which are outside the approved limit that was advised to the borrower, they are also considered as overdue.

— As at 31 December 2019, the loans and advances to customers of RMB50,143 million of the above overdue loans and advances were credit-impaired. (As at 31 December 2018, loans and advances to customers of RMB46,908 million were subjected to individual assessment for impairment)

Loans and advances to customers overdue for more than 3 months:

	31 December 2019	31 December 2018
Secured portion	**28,433**	31,690
Unsecured portion	**21,710**	15,218
Total	**50,143**	46,908
Allowance for impairment losses	**(38,392)**	(28,026)
Net balance	**11,750**	18,882
Maximum exposure covered by pledge and collateral held	**26,517**	29,187

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 31 December 2019, the majority of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the consolidated financial statements.

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