

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



交通銀行股份有限公司
Bank of Communications Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328, 4605 (Preference Share))

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The board of directors (the “**Board of Directors**”) of Bank of Communications Co., Ltd. (the “**Bank**”) is pleased to announce the audited consolidated financial information (the “**Annual Results**”) of the Bank and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 (the “**Reporting Period**”), which was prepared in accordance with the *International Financial Reporting Standards* (the “**IFRSs**”) issued by the International Accounting Standards Board. The Board of Directors of the Bank and the Audit Committee of the Board of Directors have reviewed and confirmed the Annual Results.

I. CORPORATE INFORMATION

	Stock name	Stock code	Stock exchange
A share	Bank of Communications	601328	Shanghai Stock Exchange
H share	BANKCOMM	03328	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	BOCOM PREF1	360021	Shanghai Stock Exchange
Overseas Preference Share	BOCOM 15USDPREF	4605	The Stock Exchange of Hong Kong Limited

Secretary of the Board of Directors and Company Secretary

Name: Gu Sheng
Contact address: 188 Yin Cheng Zhong Lu, China (Shanghai) Pilot Free Trade Zone,
Shanghai, P.R. China
Tel: 021-58766688
Fax: 021-58798398
E-mail: investor@bankcomm.com

II. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

The Group implemented the *IFRS 16 : Leases* from 1 January 2019. As permitted by the transitional provisions of IFRS 16, the Group did not restate comparative figures. Any adjustments to the carrying amounts at the date of transition were recognized in the opening retained earnings and other related items in the financial statements. For the related impact, please refer to this results announcement and the Bank's 2019 Annual Report which will be published on the HKEx News website of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") by the Bank.

As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under the IFRSs are as follows:

Items	2019	2018	2017	2016	2015
Full year results					
				<i>(in millions of RMB)</i>	
Net interest income	144,083	130,908	124,873	131,315	139,451
Net fee and commission income	43,625	41,237	40,551	36,795	35,027
Net operating income	232,857	213,055	196,520	194,027	194,536
Profit before tax	88,200	86,067	83,265	86,110	86,012
Net profit (attributable to shareholders of the Bank)	77,281	73,630	70,223	67,210	66,528
As at the end of the year					
				<i>(in millions of RMB)</i>	
Total assets	9,905,600	9,531,171	9,038,254	8,403,166	7,155,362
Including: Loans and advances to customers ¹	5,304,275	4,854,228	4,579,256	4,220,635	3,835,784
Total liabilities	9,104,688	8,825,863	8,361,983	7,770,759	6,617,270
Including: Due to customers ¹	6,005,070	5,724,489	5,545,366	5,284,059	4,830,915
Shareholders' equity (attributable to shareholders of the Bank)	793,247	698,405	671,143	629,142	534,885
Per share					
				<i>(in RMB)</i>	
Earnings per share(attributable to the ordinary shareholders of the Bank) ²	1.00	0.96	0.91	0.89	0.90
Net assets per share (attributable to ordinary shareholders of the Bank) ³	9.34	8.60	8.23	7.67	7.00
Key financial ratios					
					<i>(%)</i>
Return on average assets	0.80	0.80	0.81	0.87	1.00
Return on average shareholders' equity ²	11.20	11.36	11.44	12.18	13.43
Net interest margin ⁴	1.58	1.51	1.51	1.78	2.14
Cost-to-income ratio ⁵	30.11	31.50	31.85	30.90	30.01
Impaired loan ratio	1.47	1.49	1.50	1.50	1.48
Provision coverage of impaired loans	171.77	173.13	154.73	153.61	158.19
Capital adequacy ratio					
				<i>(in millions of RMB unless otherwise stated)</i>	
Net capital ⁶	911,256	817,549	790,381	723,961	627,862
Including: Net Core Tier 1 Capital ⁶	689,489	634,807	609,454	568,131	518,487
Other Tier 1 Capital ⁶	100,057	60,025	59,975	59,920	14,943
Tier 2 Capital ⁶	121,710	122,717	120,952	95,910	94,432
Risk-weighted assets ⁶	6,144,459	5,690,542	5,646,313	5,163,250	4,653,723
Capital adequacy ratio (%) ⁶	14.83	14.37	14.00	14.02	13.49
Tier-1 capital adequacy ratio (%) ⁶	12.85	12.21	11.86	12.16	11.46
Core Tier-1 capital adequacy ratio (%) ⁶	11.22	11.16	10.79	11.00	11.14

Notes:

1. According to *Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 (Cai Kuai [2018] No. 36)* issued by Ministry of Finance of the People's Republic of China ("**Ministry of Finance**"), the interest of financial instruments calculated on the basis of the effective interest rate method should be included in the carrying amounts of corresponding financial instruments and reflected in the related items in the balance sheet. The items of "interest receivables" and "interest payables" should not be presented separately. In the consideration of analysis, "loans and advances to customers" here does not include interest receivable on related loans and advances and "due to customers" does not include interest payable on related deposits.
2. Exclude the impact of other equity instruments.
3. Refers to shareholders' equity attributable to shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares at the end of the Reporting Period.
4. Represented the net interest income to total average interest-bearing assets.
5. Calculated in accordance with China Accounting Standards for business and management fees divided by net operating income after the deduction of other operating costs, consistent with the financial report in accordance with China Accounting Standards.
6. Calculated in accordance with *the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the China Banking and Insurance Regulatory Commission ("**CBIRC**").

III. ORDINARY SHAREHOLDERS AND THEIR SHAREHOLDINGS

As at the end of the Reporting Period, the Bank issued a total of 74,262,726,645 ordinary shares, including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15%, respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions. According to the statistics, the number of the Bank's ordinary shares owned by the State (including state-owned shares and state-owned legal person shares) was 43,438,978,252, accounting for 58.49% of total ordinary shares, among which the number of state-owned shares (including the ordinary shares owned by Ministry of Finance, National Council for Social Security Fund ("**SSF**") and local finance bureaus) was 31,186,505,823, accounting for 41.99% of total ordinary shares.

(I) Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period¹

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
The Ministry of Finance of the People's Republic of China ²	(1,970,269,383)	13,178,424,446	17.75	A Share	Nil	The State
	–	4,553,999,999	6.13	H Share	Nil	
HKSCC Nominees Limited ³	7,899,812	14,968,188,344	20.16	H Share	Unknown	Foreign legal person
The Hong Kong and Shanghai Banking Corporation Limited ⁴	–	13,886,417,698	18.70	H Share	Nil	Foreign legal person
The National Council for Social Security Fund ^{2,5,6}	(742,627,266)	1,134,886,185	1.53	A Share	Nil	The State
	–	1,405,555,555	1.89	H Share	Nil	
China Securities Finance Corporation Limited	–	2,222,588,791	2.99	A Share	Nil	State-owned legal person
The Sixth Transfer Account for State-owned Capital of the National Council for Social Security Fund ⁶	1,970,269,383	1,970,269,383	2.65	A Share	Nil	The State
Capital Airport Holding Company	–	1,246,591,087	1.68	A Share	Nil	State-owned legal person
Shanghai Haiyan Investment Management Co., Ltd. ⁶	–	808,145,417	1.09	A Share	Nil	State-owned legal person
Wutongshu Investment Platform Co., Ltd.	–	794,557,920	1.07	A Share	Nil	State-owned legal person
Yunnan Hehe (Group) Co., Ltd. ⁶	–	745,305,404	1.00	A Share	Nil	State-owned legal person

Notes:

1. The above data is extracted from the Bank's register of members at the Registrar and Transfer Office.
2. Pursuant to the *Notice of the Ministry of Finance and Ministry of Human Resources and Social Security on Transferring Part of State-Owned Capital of Eight Financial Institutions Directly under Central Government Including Industrial and Commercial Bank of China Co., Ltd.*, the Ministry of Finance transferred 10% of its shares held in the Bank (totalling 1,970,269,383 shares), to SSF (registered under the Sixth Transfer Account for State-owned Capital of SSF) in December 2019. Pursuant to the *Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Replenish Social Security Funds*, SSF shall fulfil its lock-up period obligations of over 3 years from the date of the transfer.
3. The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period.

4. According to the Bank's register of members, the Hong Kong and Shanghai Banking Corporation Limited ("HSBC") held 13,886,417,698 H shares of the Bank as at the end of the Reporting Period. According to the disclosure of interests filed with the Hong Kong Stock Exchange by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued.** The number of beneficial shares held by HSBC was 249,218,915 shares more than that recorded in the Bank's register of members. This difference was due to HSBC's purchase of H shares from the secondary market in 2007 and its subsequent acquisition of bonus shares and participation in the allotment of shares. This part of shares were registered under the name of HKSCC Nominees Limited. Please refer to "Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the *Securities and Futures Ordinance*" ("SFO") for details of the H shares that deemed to be beneficially owned by HSBC.
5. According to the Bank's register of members, the SSF held 1,134,886,185 A shares and 1,405,555,555 H shares of the Bank as at the end of the Reporting Period. In May 2019, the SSF transferred 742,627,266 A shares, representing 1% of total share capital, to the designated account of reduction of shares, "CITIC Securities Co., Ltd. – Social Security Fund Share Flexible Portfolio". In December 2019, the Ministry of Finance transferred 1,970,269,383 A shares to the Sixth Transfer Account for State-owned Capital of SSF. According to the information provided by the SSF to the Bank, as at the end of the Reporting Period, other than the shareholdings recorded in the register of members of the Bank, SSF held additional 7,655,672,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 627,895,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,909,011,166 A shares and H shares of the Bank, representing 17.38% of the Bank's total ordinary shares issued.**
6. Shanghai Haiyan Investment Management Co., Ltd. and Yunan Hehe (Group) Co., Ltd. are parties acting in concert as defined under *Provisional Measures on Shareholdings Administration of Commercial Banks*. SSF and the Sixth Transfer Account for State-owned Capital of SSF are in the relationship of acting in concert. The Bank is not aware of the existence of any related relationship among the above shareholders, or whether they are parties acting in concert as defined in *Provisional Measures on Shareholdings Administration of Commercial Banks*.

(II) Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the SFO

As at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and Chief Executive of the Bank, the substantial shareholders and other persons (excluding the Directors, Supervisors and Chief Executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the SFO are as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest ¹	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance	Beneficial owner	13,178,424,446 ²	Long position	33.57	17.75
SSF	Beneficial owner	3,847,782,834 ³	Long position	9.80	5.18

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest ¹	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
SSF	Beneficial owner	9,061,228,332 ³	Long position	25.88	12.20
Ministry of Finance	Beneficial owner	4,553,999,999 ²	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613 ⁴	Long position	40.37	19.03

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, representing 6.13% and 17.75% of the total ordinary shares issued by the Bank, respectively.
3. According to the Bank's register of members, as at the end of the Reporting Period, SSF held 1,134,886,185 A shares and 1,405,555,555 H shares of the Bank. In May 2019, SSF transferred 742,627,266 A shares, representing 1% of total share capital, to the designated account of decrease of shares, "CITIC Securities Co., Ltd. – Social Security Fund Share Flexible Portfolio". In December 2019, the Ministry of Finance transferred 1,970,269,383 A shares to The Sixth Transfer Account for State-owned Capital of SSF. According to the information provided by SSF, as at the end of the Reporting Period, other than the shareholdings recorded above, SSF held additional 7,655,672,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 627,895,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). As at the end of the Reporting Period, SSF held a total of 12,909,011,166 A shares and H shares of the Bank, representing 17.38% of the Bank's total ordinary shares issued.

4. HSBC Holding plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the *SFO*, HSBC Holding plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.

Save as disclosed above, as at the end of Reporting Period, no person (excluding the Directors, Supervisors and Chief Executive of the Bank) or corporation was recorded in the register required to be kept under Section 336 of the *SFO* as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the *SFO*.

IV. INFORMATION OF PREFERENCE SHARES

(I) Issuance and Listing of Preference Shares in the Last Three Years

The Bank did not issue preferred shares during the last three years.

(II) Preference Shareholders and Their Shareholdings

1. *Overseas Preference Shareholders and their Shareholdings as at the end of the Reporting Period*

Name of shareholder	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen		
					Status of shares	Number of shares	Nature of shareholder
DB Nominees (Hong Kong) Limited	-	122,500,000	100.00	Overseas preference share	Unknown	-	Foreign legal person

Notes:

- Shareholdings of overseas preference shareholders are summarized according to the Bank's register of members of overseas preference shareholders.
- DB Nominees (Hong Kong) Limited, as a trustee, held 122,500,000 overseas preference shares, accounting for 100% of the Bank's total overseas preference shares, on behalf of all assignees in clearing systems Euroclear and Clearstream as at the end of the Reporting Period.
- "Percentage" refers to the percentage of number of overseas preference shares held by overseas preference shareholders in the total number of overseas preference shares.
- The Bank is not aware of the existence of any related relationship among the overseas preference shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

2. Top 10 Domestic Preference Shareholders and their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Status of shares	Number of shares	Nature of shareholders
	China Mobile Communications Corporation	-	100,000,000	22.22	Domestic preference share	Nil	-	-
AXA SPDB Investment Managers – SPDB – Shanghai Pudong Development Bank Shanghai B	-	20,000,000	4.44	Domestic preference share	Nil	-	-	Others
CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” open-ended wealth management single fund trust	-	20,000,000	4.44	Domestic preference share	Nil	-	-	Others
Truvalue Asset Management – CMBC – China Merchants Bank Co., Ltd	-	20,000,000	4.44	Domestic preference share	Nil	-	-	Others
Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	-	20,000,000	4.44	Domestic preference share	Nil	-	-	Others
Wisdom Asset Management – Ping An Bank – Ping An Bank Co., Ltd.	-	20,000,000	4.44	Domestic preference share	Nil	-	-	Others
China Ping An Life Insurance Co., Ltd. – Self-owned capital	-	18,000,000	4	Domestic preference share	Nil	-	-	Others
China Citic Bank Corporation Limited – HuiYing Series of CITIC Banking Service	7,000,000	18,000,000	4	Domestic preference share	Nil	-	-	Others
China National Tobacco Corporation – Henan Branch	-	15,000,000	3.33	Domestic preference share	Nil	-	-	State-owned legal person
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	-	15,000,000	3.33	Domestic preference share	Nil	-	-	Others

Notes:

- Shareholdings of domestic preference shareholders are summarized according to the Bank’s register of members of domestic preference shareholders.
- “Percentage” refers to the percentage of number of domestic preference shares held by domestic preference shareholders in the total number of domestic preference shares.
- The Bank is not aware of the existence of any related relationship among the top 10 domestic preference shareholders and any related relationship between the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

(III) Dividends Distribution of Preference Shares

The Bank will distribute dividends annually for the preference shares in cash. In the event that the Bank resolved to cancel part or all of the dividends of the preference shares, the difference in the amount of dividends not fully paid to the shareholders of preference shares in the current period will not accrue to the subsequent interest period. Preference shareholders will not participate in the distribution of the residual earnings with ordinary shareholders after receiving dividends as agreed.

In accordance with the resolution and authorization of the Shareholders' General Meeting, the 26th meeting of the 8th Session of Board of Directors of the Bank was held on 29 April 2019, during which the proposal for the dividend distribution of the overseas preference shares and the dividend distribution of the domestic preference shares were approved. The total amount of overseas preference shares' dividend distributed by the Bank amounted to USD136,111,111, including USD122,500,000 paid to preference shareholders at the after-tax dividend rate of 5% under the terms of issuance of the overseas preference shares. In addition, in accordance with relevant laws and regulations, 10% withholding tax of USD13,611,111 was withheld by the Bank on behalf of overseas preference shareholders. The above dividends were fully paid in cash on 29 July 2019. The total amount of domestic preference shares' dividend distributed by the Bank amounted to RMB1,755,000,000 with a nominal dividend yield of 3.9% and were fully paid in cash on 9 September 2019.

Please refer to the announcement published on the website of Shanghai Stock Exchange, the Hong Kong Stock Exchange website and the Bank's official website for the details of the dividend distribution of preference shares.

The dividend distributions of preference shares of the Bank's for the last three years are as follows:

Preference share type	Date of dividend distribution	Total amount of dividend distributed (including tax)	Dividend rate
Domestic Preference Share	9 September 2019	RMB1,755,000,000	3.9%
Overseas Preference Share	29 July 2019	USD136,111,111	5.0%
Domestic Preference Share	7 September 2018	RMB1,755,000,000	3.9%
Overseas Preference Share	30 July 2018	USD136,111,111	5.0%
Domestic Preference Share	7 September 2017	RMB1,755,000,000	3.9%
Overseas Preference Share	31 July 2017	USD136,111,111	5.0%

(IV) Other information of Preference Shares

According to *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* issued by the Ministry of Finance, *International Financial Report Standards 9 – Financial Instruments* and *International Accounting Standards 32 – Financial Instruments: Presentation* issued by International Accounting Standards Board as well as terms and conditions of the preference shares issued by the Bank, the preference shares issued by the Bank met the requirements to be recognized as equity instruments and the issuance of preference shares was therefore classified as equity instruments.

During the Reporting Period, there was neither redemption or conversion of preference shares, nor any restoration of voting rights for preference shares.

V. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Implementation of Development Strategy

1. *Development of Wealth Management Characteristics*

“Building a leading world class bank with global competitiveness and brand wealth management capacities” is the strategic goal of the Group. During the Reporting Period, the Wealth Management Strategy Promotion Committee was established under the Senior Management of the Bank to promote the Group’s wealth management product integration, channel sharing, investment and research sharing, brand building, and risk management in order to better serve customers’ wealth management needs.

Exercised comprehensive advantages and improved the capabilities of serving the real economy via cross-industry and cross-border services. New subsidiary for wealth management businesses was set up as the first batch, which provided the wealth management, trust, fund, securities, insurance and financial investments services to customers. BoCom Wealth Management Co., Ltd. exercised the advantages of asset allocation and fixed income investment products, which served the customer needs of stable value preservation. As at the end of Reporting Period, the total amount of managed products increased by RMB182.846 billion over the end of the previous year to RMB952.515 billion. Bank of Communications International Trust Co., Ltd. applied the financial instruments of equity, debt and asset-based securities, providing diversified financial products and wealth inheritance services. As at the end of the Reporting Period, the total amount of managed trust assets achieved RMB761.850 billion and asset-based security businesses ranked Top 5 in the trust industry. BoCom Schroder Fund was the Group’s key platform of customer services with equity-based asset allocation. As at the end of the Reporting Period, the total amount of public fund products increased by 42.22% over the end of the previous year to RMB220.080

billion, including the active equity-based fund increased 82.48%. Bocom International Holdings Company Limited, as the Chinese-funded bank, was the first listed broker in Hong Kong, which mainly served the HK securities and related fields as an important financial service platform with professional active management ability in the field of equity investment. Bocom International Holdings Company Limited provided wealth management and asset allocation services for customers to invest in myriad markets including US stock market, H-share market, bonds, futures, options and funds. As at the end of the Reporting Period, the total amount of managed assets achieved HKD27.437 billion. The total amount of BoCommLife Insurance Company Limited in managed assets exceeded RMB50.0 billion. The establishment of BoCommlife Asset Management Co., Ltd. in 2019 was an important step towards professional insurance management.

Exercised advantages of full-cycle products to meet the expectations of various customers for wealth preserving and increasing. The Group provided retail and individual customers, corporations and financial institutions with comprehensive financial services, building up a complete series of brand structure comprising “OTO Fortune”, “Win to Fortune”, “Institutional Financial”, “Leadway Fortune” and “E-mobile Fortune”.

We provided retail and individual customers with services including bank wealth management, family trust, insurance agency and fund management. As at the end of the Reporting Period, the personal financial assets under management (AUM) increased by 12.71% over the end of the previous year to RMB3,446.315 billion, representing a net increase of RMB388.720 billion. The growth rate was higher than that of 6.11% in 2018 and 6.44% in 2017. We improved the online customer service experience. The monthly active users (MAU) of mobile banking increased by 36.44% over the end of the previous year. Through online and offline integration, we worked together to provide wealth management services for mid-to-high end customers. As at the end of the Reporting Period, the number of qualified customers of OTO Fortune reached 1.5040 million, representing an increase of 19.01% over the end of the previous year. Relying on the advantages of integrated operation, the Bank provided asset management, consulting services in tax, law and cross-border businesses and other comprehensive services for high net-worth clients. As at the end of the Reporting Period, the number of customers of private banking reached 47.191 thousand, representing an increase of 18.49% over the end of the previous year. During the Reporting Period, the number of qualified customers of OTO Fortune and private banking and personal financial assets under management (AUM) set the highest record in the past three years.

According to the financial service needs of enterprises at different development stages, we provided financial support during the whole-cycle of equity, credit, investment bank, asset securitisation and debt-to-equity swap and comprehensive services including wealth management, cash management as well as interest rate and exchange rate risk management. “Win to Fortune” was the structural deposit linked to indicators including foreign exchange, commodities, and interest rates. The amount increased by RMB89.569 billion over the end of the previous year to RMB471.384 billion. Relying on corporate e-banking, mobile banking and new media channels, we provided enterprises with one-stop online wealth management services related to products denominated in RMB and foreign currencies, at home and abroad. There were more than 0.50 million subscribed customers on corporate mobile banking. We built a global cash management platform to provide global centralised fund management services for multinational companies.

The Group provided a package of diversified wealth preserving and increasing services, including capital, custody, settlement, wealth management, agency and agency trading for inter-bank institutions. We gained an insight of the direction and cooperated with small and medium-sized financial institutions to provide products such as wealth management, fund and trust for their customers to extend our professional wealth management services to the vast number of counties. Exploiting the Group’s operating advantages helped us undertake the issuance of various debt and equity financing instruments, and provided high-quality investment products for institutions and customers. During the Reporting Period, we achieved rapid progress in serving customers in cross-border financing. We acted as the principal underwriter for the Ministry of Finance for issuance of the sovereign bonds of EUR4.0 billion in Paris and treasury bonds of RMB2.0 billion in Macao, and assisted the Ministry of Finance in issuing offshore RMB bonds in Hong Kong for 10 consecutive years. The Group ranked third globally in terms of underwriting amount of offshore bonds among Chinese institutions, and ranked eighth globally in the number of underwritten IPO projects of H-share market.

Exercised innovation advantage and built up brand characterized by wealth management services. The Group actively supported the launch of the Science and Technology Innovation board and piloted in registration system, carried out equity investment businesses, laid out in emerging industries and improved the Group’s customer structure. BoCom International Holdings Company Limited and Bank of Communications International Trust Co., Ltd. initiated BoCom Science and Technology Innovation Equity Investment Fund, and supported the national emerging industries with strategic importance such as biological medical, cloud computing, core system software, chip design and high-end equipment manufacturing. The Bank followed up on the financial pilot reform of the Lingang New Area and established professional asset management institutions. Based on the construction of the Shanghai Global Asset Management Center, the Bank deepened the cooperation with excellent global asset management institutions and introduced advanced international experience and standards.

2. *High-Quality Development Empowered by Fintech*

During the Reporting Period, the Bank introduced digital and intelligent transformation with “New 531” project, which improved the customer services capabilities.

Improved customer experience. Personal mobile banking and “Go Pay” APP was officially launched. The view of new version mobile banking was designed from the perspective of customers, by connecting the mobile banking with more than 20 scenarios and 1,500 service plans including water, electricity and gas payments. The transaction processing capacity reached 29,000 transactions per second, creating outstanding customer experience. The new version of “Go Pay” APP focused on the discounts and benefits that users were most concerned about, integrated and upgraded welfare centers, coupon collection centers, event centers and other preferential positions, and launched flexible repayment, ETC., mobile payment one-click card binding, account security housekeeper, calendar billing and other new products. The two major apps created one-stop “Finance + Life” service needs for users. The Group developed financial scenarios and built up digital ecosystem via the products of cloud banking, intelligent financial services and BoCom housing. The BoCom Intelligent Financial Service Platform, connecting “Finance + Scenarios”, introduced more than twenty kinds of financial products such as the property management, medicine management, elderly care, religions, intelligent park and payment housekeeper, which resulted in more than 4,000 corporate customers. The Group also built up more than 120 scenarios together with verification techniques of biological recognition, such as face, fingerprint and voice. The channel diversion rate of e-banking services was 97.67% via the online and offline integrated operation. The time spent on the opening of corporate accounts decreased significantly.

Improved management and operation efficiency. The Group built up intelligent risk application system, which increased the accuracy of risk alarm to 85%. Credit approval process increased by 40% after the use of intelligent credit approval. Intelligent operating system automatically categorized and recorded the transactions, resulting in intelligent management. Big data platform improved customer services with the analysis of big data. The diagram of corporate customers was used to identify the related party relationship and apply in the risk prevention. The automatic recognition rate of layout and content was realized.

Optimized basic structure. The Group promoted the transformation of information technology structure to “Concentration + Distribution” and completed 181 million debit card data and high-volume transactions from main server to distribution platform. The transaction volume of debit card was around 50% in normal days and 90% on “Double 11” via distribution platform, which meant the core accounting system was capable of processing around 16,000 transactions in a second. The application system operating on open platform accounted for more than 98%. The Group completed the private cloud construction with over 50% application environment systems connected to cloud.

Increased resource input. The Group launched three major projects of “10,000 Fintech Talent Plan”, “Fintech Management Trainees” and the “Empowerment Transformation of Existing Talents”. As at the end of Reporting Period, there were 3,460 domestic Fintech talents representing a year-on-year increase of 59.15%, The contribution of Fintech staff to the Bank was around 4.05%, representing a year-on-year increase of 1.33 percentage points. During the Reporting Period, the investment in Fintech increased by 22.94% on a year-on-year basis to RMB5.045 billion, which was 2.57% of operating income representing an increase of 0.38 percentage point over the previous year.

(II) Business Review

In 2019, the Group actively responded to changes in market and policy environment and, closely focused on the three major tasks of “serving the real economy, financial risks management and deepening financial reforms”, and achieved in high-quality development. The Group increased its credit investment to serve the real economy, and RMB loan increment increased by RMB36,487 million on a year-on-year basis. As a Shanghai – based bank, we leverage the advantage brought up by our geographical location to serve the key regions by increasing loan increment by 2.18 times year-on-year in the three major regions including Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei region. The interest margin improved considerably with the net interest margin increasing by 7 basis points on a year-on-year basis. The efforts to dispose of non-performing assets continued to increase. The cash collection increased by 34.5% over the previous year, and the performance development was stable and sound. During the Reporting Period, the net profit of the Group (attributable to shareholders of the Bank) increased by 4.96% on a year-on-year basis to RMB77.281 billion. The increase was 0.11 percentage point higher than that of the previous year. As at the end of the Reporting Period, the total assets of the Group increased by 3.93% over the end of the previous year to RMB9,905.6 billion.

The Group achieved steady growth in profits and sustainable improvement in value creation.

- Due to the effective placement of substantial loans and reasonable and abundant market liquidity, assets yield increased by 3 basis points and liabilities cost decreased by 6 basis points year-on-year during the Reporting Period. The Group’s net interest margin stood at 1.58%, representing an increase of 7 basis points on a year-on-year basis.
- During the Reporting Period, the Group’s net operating income increased by 9.29% on a year-on-year basis to RMB232.857 billion. The Group’s net interest income increased by 10.06% on a year-on-year basis to RMB144.083 billion.

- Under the strict regulatory requirements for charging fees, the Group explored the advantages of wealth management and accelerated the transformation of revenue growth. During the Reporting Period, the growth rate of fee income from management services and brokerage services both exceeded 10%. The net fee and commission income increased by 5.79% on a year-on-year basis.
- During the Reporting Period, the cost-to-income ratio decreased by 1.39 percentage points on a year-on-year basis to 30.11%.
- The efficiency of operation enhanced significantly. As at the end of the Reporting Period, the profit per person of the Group amounted to RMB879.9 thousand, representing an increase of 7.00% on a year-on-year basis. The deposit per outlet (excluding all-inclusive outlets) increased by 4.38% over the end of the previous year to RMB2.238 billion.

The Group served the real economy and deepened the supply-side structural reform of the financial sector.

- As at the end of the Reporting Period, the balance of RMB loans increased by RMB389.439 billion or 8.58% over the end of previous year to RMB4,925.863 billion. The incremental amount increased by RMB36.487 billion on a year-on-year basis.
- During the Reporting Period, the Group's investment in local government special bonds amounted to RMB178.1 billion, representing an increase of 22.1% over the previous year. The Group completed 69 debt-to-equity swap projects totalling RMB64.4 billion representing an increase of 214% and 162%, respectively. The balance of consumer lending and loans extended to public utilities sectors such as electric power, gas and water, science, education, culture and health, increased by RMB29.43 billion or 11.9% over the end of the previous year, higher than the growth rate of all loans of domestic banking institutions.
- The Group increased the credit support for inclusive finance, private enterprises and manufacturing sectors. As at the end of the Reporting Period, the balance of inclusive loans under CBIRC's two-increase standards increased by RMB55.819 billion or 51.62% over the end of the previous year to RMB163.952 billion. The number of customers with loan balance increased by 33.4 thousand over the end of the previous year. The impaired loan ratio was 3.22%, representing a decrease of 2.15 percentage points over the end of the previous year.

- Balances of manufacturing sector loans maintained good momentum. As at the end of the Reporting Period, the balance of medium and long-term loans extended to manufacturing sectors was RMB115.4 billion, representing an increase of RMB25.4 billion or 28% over the end of the previous year. The Group launched online bank acceptance bills services. During the Reporting Period, the Group processed 98,107 online acceptance transactions for the manufacturing enterprises, amounting to RMB81.08 billion, serving 960 manufacturing customers, covering 33 provinces, municipalities and autonomous regions nationwide, and indirectly supporting 17 thousand upstream enterprises in the manufacturing industrial chain. The Group earned high market reputation.

The Group integrated into China’s national strategies by leveraging its unique advantages in geographical location.

- The Group took the integrated development of the Yangtze River Delta as the “Pilot Field” and applied it to key regions such as Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei region. The Group established its integrated service structure and launched special financial service solutions iteratively. As at the end of the Reporting Period, loans in the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei regions increased by RMB219.6 billion over the end of the previous year, an incremental amount 2.18 times more than that of the previous year, accounting for 52% of total incremental loans, up 6.8 percentage points year on year. The credit extension resonated with the national regional economic strategic layout.
- As a Shanghai – based bank, we leveraged the advantage brought up by our geographical location to promote the Yangtze River Delta integration as the dominant task. We strongly promoted “Mechanism Synergy and Operation Integration”, setting up specialized agencies and working mechanisms at the head office level. We further expanded into the key areas of free trade zones, financial markets and technology. We were also developing unique service capabilities to support the Group’s financial service, as part of our supporting Shanghai’s further deepening reform and increased opening up.

The Group strictly prevented financial risks and the asset quality was stable.

- As at the end of the Reporting Period, the impaired loan ratio was 1.47%, representing a decrease of 0.02 percentage point over the end of the previous year. Overdue loan ratio decreased by 0.13 percentage point over the end of the previous year. Provision coverage of impaired loan was 171.77%, meeting regulatory requirements.
- The Group deepened the reform of risk credit management, implemented unified credit risk control and strengthened risk monitoring system. The intelligent risk control early warning model had an accuracy rate of 85%.

- The Group explored the management models of “Good Banks” and “Bad Banks”, clarified the responsibilities in legacy non-performing loan disposal and incremental non-performing loan prevention, and enhanced the cash recovery of non-performing loans.
- The Group optimised the organisational structure of prevention of non-compliance cases and carried out the “5+N” Campaign for specialised prevention of non-compliance cases and control. The Group continuously improved the information security technology defense system, organised anti-money laundering and anti-terrorism financing, and consolidated the long-term mechanism of overseas compliance management.

The Group strengthened wealth management and further improved the synergies within the Group.

- The Wealth Management Strategic Promotion Committee performed full responsibilities to strengthen the wealth management business. The Group provided customers with a full range of wealth management services through an array of financial licenses such as bank wealth management, trust, funds, securities, insurance and financial investment. BOCOM Wealth Management Co., Ltd. was the first batch authorised to operate, ranking second in scale of products among the established wealth management subsidiaries as at the end of the Reporting Period. The business scale of pension investment, family wealth management, and private banking net-worth wealth management continued to expand. The Group successfully won the bid for the qualification of professional annuity custodians in 29 overall planning areas. The balance of wealth management products under consignment and the scale of the fund product AUM hit a new high. As at the end of the Reporting Period, the personal financial assets under management (AUM) increased by 12.71% to RMB3,446.315 billion over the end of the previous year.
- The Group improved the business layout, developed service contacts, and strengthened the coordinated development of all subsidiaries. BOCOM Wealth Management Co., Ltd. and Prague Branch officially opened. Dubai Branch and Johannesburg Branch successfully acquired regulatory approvals. As at the end of the Reporting Period, the total assets of overseas banking institutions and subsidiaries increased by 8.87% and 15.49% respectively over the end of the previous year, and their proportion in the total assets of the Group increased by 0.53 and 0.43 percentage point respectively. During the Reporting Period, the net profit of overseas banking institutions and subsidiaries increased by 15.54% and 17.20% on a year-on-year basis respectively, and their contribution to the Group’s net profit increased by 0.75 and 0.76 percentage point on a year-on-year basis respectively.

The Group strengthened technology-driven innovation to facilitate the intelligent transformation project.

- The Group increased the investment in information technology. During the Reporting Period, the investment in information technology exceeded RMB5.0 billion, which increased by 22.94% on a year-on-year basis. It was 2.57% of operating income, representing an increase of 0.38 percentage point over the previous year. The Group strengthened the development of talents by further promoting the three major projects of “10,000 Fintech Talent Plan”, “Fintech Management Trainees” and “Empowerment Transformation of Existing Talents”. The Group was committed to the three tasks of IT framework transformation, IT management framework optimization and data management. Through the IT framework transformation, the Group decentralised the technology framework in order to accelerate the establishment of a digital and intelligent platform system. The Group focused on enhancing the IT management and development capabilities characterised by agile upgrading and rapid development in order to deeply integrate businesses with technology through the optimization of IT management framework and the establishment of a structure of one department and four centers-subsidiaries-research institute. The Group explored the data management improvement in order to fully exercise the data value.
- The Group strengthened the utilization of Fintech. Fully exercising the advantage of big data, the Group were able to predict in advance customers’ matured wealth management products and the amount of fund (approximately 10 million matured wealth management products per year, approximately RMB2.7 trillion in matured funds) which enabled the Group to formulate asset allocation recommendations based on customer financial preferences. The Group also made full use of short message service, mobile banking message reminders, intelligent voice robots, customer manager and other human-machine collaboration strategies to intelligently make product recommendations for customers. With the support of Fintech, automated, multi-wave and multi-channel marketing achieved remarkable results. As at the end of the Reporting Period, the retention rate of matured funds had increased to approximately 96%, and achieved significant labour savings. High-frequency transactions such as debit cards and online payments achieved a transformation from centralised platforms to distributed platforms. As at the end of the Reporting Period, the number of e-banking transactions in domestic branches reached 8.006 billion with the transaction amount of RMB270.12 trillion. The diversion rate of e-channels increased by 1.08 percentage points over the end of the previous year to 97.67%.

The Group enhanced the customer experience and established the brand market image.

- The Group insisted on building the “the Bank with the Best Omni – channel Service” to comprehensively improve customer experience across all channels. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 16.93% over the end of the previous year. The number of newly-opened accounts increased by 64.26% on a year-on-year basis. The total number of individual customers in domestic branches increased by 4.48% over the end of the previous year on the same basis. The increase of the personal financial assets under management (AUM), qualified customers of OTO FORTUNE and private banking all hit a new high in the past three years. The Group broadened the channels for cooperation with other financial institutions. The coverage ratio of bank-futures account transfer system was 97.98%. The number of customers for transactions with securities and futures trading companies increased by 973.3 thousand over the end of the previous year.
- The brand’s market influence continued to increase. The Group was listed among Fortune 500 for 11 consecutive years and ranked No. 150 in terms of operating revenue, up by 18 ranks as compared with the previous year. The Group’s Tier-1 capital ranked No.11 among the global top 1,000 banks for three consecutive years rated by *the Banker*. For the year of 2018, the Group was awarded the A-level bank in the Consumer Protection Rating by People’s Bank of China, ranking first in Consumer Protection Rating awarded by CBIRC among 18 nationwide large-scale banks and joint-stock banks. The Group was ranked first in the industry for the sixth time in “Top 100” and “Top 1,000” demonstration outlets held by the China Banking Association.

Optimized Management Models for High-quality Group Customer Services Provided in the Integrated Development of the Yangtze River Delta

In order to deepen the joint cooperation capability of serving group customers in Yangtze River Delta region, the Bank formulated special policies and streamlined its business processes. Moreover, the Bank built up a comprehensive set of integrated group customer management models based on the differentiation and high efficiency of customer services and enhanced the integrated management of group customers. During the Reporting Period, financing scale in the Yangtze River Delta region reached nearly RMB2 trillion.

- We delegated and authorized the management of group customers at Head Office level to the regional branches. The Bank authorized branches to develop group customers, optimized business initiating levels and simplified businesses reporting. These efforts enabled us to delegate the group management functions to lower level, improve customer services and narrow down the management scope with the same level of risk management. As at the end of the Reporting Period, the balance of corporate loans increased by 18.66% over the end of the previous year.

- Strengthened empowerment of branches and enhanced efficiency of credit approval. Based on the “one meeting for loan credit approval”, the Bank innovatively simplified the approval process for group customers via Head Office staff joining the credit approval meeting of local branches in Yangtze River Delta. By combining the advantages of proper interpretation of credit authorization policies by Head Office and the deep understanding of local markets and customers by local branches, the Bank streamlined the approval process and conducted well management of risks. The total amount of RMB46.0 billion credit was granted via joint meetings during the year, which continuously accelerated the response to customers’ needs and market.
- Strengthened internal interaction to motivate branches within the same region to serve group customers coordinately. Following the service guideline of “BoCom Prevails, Customer First”, the Bank carried out unified marketing and management of the group customers with a package of financial products and one-stop financial services, which maximized the contribution of group businesses. During the Reporting Period, the total amount of ten joint loans was RMB20.0 billion over the branches of Yangtze River Delta region, which successfully supported the cross-regional financing for certain group customers.
- Explored regional characteristics and supported high-quality development of group customers in key areas. We continued to enhance policy research and the application of BoCom management tools such as “One Strategy for One Bank”. Regarding the industries of energy-saving, environmental friendly and strategic innovation around the development demonstration zone of Yangtze River Delta, manufacturing of artificial intelligent and robots of Shanghai branch, semi—conductor sector of Suzhou, Wuxi, Zhejiang province and Anhui province, the Bank targeted such regional industries with comparative advantages and granted special loans, resulted in successful and mutual cooperation in key areas.
- Extended advantages of comprehensiveness and introduced special policies to support investment banking businesses in Yangtze River Delta. The Bank delegated the authorization of acquisition credit approval to the branch level in Yangtze River Delta, expanded the scope of authority for bond underwriting and other credit businesses. The Bank enabled the rapid development of the interaction of investment and financing activities of group customers, which built up the business characteristics and market reputation.

1. *Corporate Banking Business*

- During the Reporting Period, the Group's profit before tax from corporate banking businesses increased by 3.53% on a year-on-year basis to RMB38.373 billion. Net interest income was RMB74.073 billion, representing an increase of 8.05% on a year-on-year basis. Net fee and commission income was RMB15.168 billion, representing an increase of 5.39% on a year-on-year basis .
- As at the end of the Reporting Period, the Group's corporate deposit balance increased by 2.22% over the end of the previous year to RMB4,031.784 billion. Corporate loan balance increased by 10.28% over the end of the previous year to RMB3,549.510 billion.
- As at the end of the Reporting Period, the Group's corporate non-performing balance was RMB59.469 billion, and the impaired loan ratio was 1.68%.

The Group closely focused on serving the real economy, giving full play to the advantages of international and integrated operation and satisfying the full range of customers' financing needs by product portfolios such as credit, bonds, funds, leasing, trust, asset management, insurance, investment and loan linkage, and fully supported major national strategies, major projects, and key areas. The Group strengthened technology empowerment and established a good brand in areas including cash management, industrial chain finance, investment banking and cross-border finance.

(1) *Corporate and institutional businesses*

The Group continued to strengthen customer infrastructure building, adhered to "settlement, transaction, and flow" and carried forward special marketing campaigns to attract core enterprises and subordinated enterprises in bulk and generate revenue by building platforms, which enabled the Group to strengthen the construction of online service channels. The Group also focused on mobile internet, scenario application and industrial application and improved the online service channels of "Corporate online banking + Corporate mobile banking + WeChat public account" to provide more convenient and efficient financial services. The Group successfully renewed its qualification of the collection agency of the non-tax income of central government, and was rated as "Excellent" for two consecutive years in the evaluation of non-tax and authorised business by the Ministry of Finance. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 16.93% over the end of the previous year. The number of newly-opened accounts increased by 64.26% on a year-on-year basis.

(2) *Inclusive finance businesses*

The Group strengthened the technology empowerment of the upgrade of inclusive financial products for the business development in key inclusive finance areas such as small and micro enterprises, “Agriculture, Rural areas and Farmers”, poverty alleviation and “Mass Entrepreneurship and Innovation”. The Group enhanced pricing management and regulated charging behaviour to effectively solve the problems of “Difficult Financing and Expensive Financing” in key areas and key customer groups. As at the end of the Reporting Period, the balance of loans of the inclusive finance under “Two Increases” standard increased by RMB55.819 billion or 51.62% over the end of the previous year to RMB163.952 billion. The number of customers with loan balance increased by 33.4 thousand over the end of the previous year to 104.4 thousand. The impaired loan ratio was 3.22%, representing a decrease of 2.15 percentage points over the end of the previous year. As at the end of the Reporting Period, 95 provincial branches independently set up the Inclusive Division, and 2,272 outlets were engaged in inclusive credit business with the coverage ratio reaching 87.22%.

(3) *Industrial value chain financial businesses*

The Group focused on “Settlement Services + Trade Finance” to build an “Online + Offline” integrated service for the whole industrial chain. The Group enhanced the promotion of industrial chain finance in key industries such as construction and healthcare, deepened the cooperative relationship with key enterprises and their upstream and downstream enterprises, and enhanced the capabilities of serving the real economy. As at the end of the Reporting Period, the total accumulated number of qualified industrial chain networks developed by domestic branches exceeded 4,000 and the balance of key products of industrial value chain financing increased by 21.04% to nearly RMB150.0 billion over the end of the previous year.

(4) *Cash management businesses*

The Group was dedicated to build a cross-border, cross-bank, and cross-currency global cash management service solution, deeply integrated the “Internet + Finance + Scenarios”, and innovatively launched the BoCom Intelligent Financial Service Platform and the “Jiao e Bao” Enterprise Online Trading Platform. BoCom Intelligent Financial Service Platform launched 21 industry financial service solutions including intelligent park, medical manager, pension manager and religion manager. The Group enriched financial services of corporate liquidity management. The Group enhanced the promotion and research on treasury management system of financial companies and interbank fund management platform. As at the end of the Reporting Period, the number of group customers of the online “Win to Fortune” cash management exceeded 27.5 thousand, including more than 834.7 thousand cash management accounts.

(5) *Investment banking businesses*

The Bank assisted the Ministry of Finance in issuing treasury bonds of RMB2.0 billion in Macao and sovereign bonds of EUR4.0 billion in Europe for the first time, treasury bonds of RMB10.0 billion and sovereign bonds of USD6.0 billion in Hong Kong. The Group completed major projects including Central Huijin Investment Ltd.'s medium-term notes of RMB33.0 billion. The Group actively supported the corporate's demand for bond issuance across borders, ranking third in terms of the scale of underwriting overseas bonds in Chinese offshore bond market. The scale of domestic and overseas mergers and acquisitions financing increased by over 80% on a year-on-year basis. The Group comprehensively promoted asset securitisation businesses. The total underwriting amount of full-scale asset securitisation (including credit-asset-backed securities and asset-backed notes) ranked second in the banking system. The Group underwrote innovative products such as the first credit asset-backed securities based on LPR in the lead underwriting market, and the first green asset-backed bill empowered by blockchain technology. During the Reporting Period, the income of investment banking reached RMB4.337 billion, accounting for 9.10% of the Group's total fee and commission income. The domestic branches accumulatively underwrote 516 different bonds (excluding local treasury bonds). The underwriting amount (excluding local treasury bonds) was RMB314.766 billion. The Bank was awarded "2019 Tianji Award for Best Comprehensive Bank in Undertaking Investment Bank Business" by the *Securities Times* and "Top 10 Investment Bank Innovation Award in 2019" by *The Banker*.

(6) *Asset custody businesses*

Seizing the opportunity of the reform and development of the national pension security system, the Group actively carried out professional annuity marketing. The Group won the bid for the qualification of professional annuity custodians in 29 overall planning areas. The Group also promoted the marketing of public fund custody businesses in multiple fields and channels, and the scale of public fund custody ranked fourth in the market. The Group was one of the first-batch commercial banks to have obtained the qualification to conduct pilot businesses of certificate deposits, and steadily promoted cross-border custody businesses such as Hong Kong Bond Connect and QDII/QFII. The enterprise annuity account management business developed steadily, and the number of personal accounts under management increased by 10.30% on a year-on-year basis. Focusing on customer needs, the Group continuously optimised the online custody service system of "Custody E-Connect". As at the end of the Reporting Period, the assets under custody of the Bank increased by 5.40% to RMB9,394.245 billion over the end of the previous year.

(7) *Corporate online banking businesses*

The Group focused on the expansion of online channels and mobile finance for small and micro enterprise customers and the increase of their mobile banking utilisation rate. As at the end of the Reporting Period, the number of registered customers of corporate mobile banking and the volume of transactions increased by 447.2 thousand and RMB100.589 billion over the end of the previous year, respectively. The Group continued to improve the customer experience, strengthened online settlement products and services, integrated and optimised the process of online corporate account opening and registering, and strengthened scenario marketing. The Group provided wider supporting services channels for customers through WeChat intelligent customer service assistants and telephone consulting service through corporate customer service team via 95559 hotline. As at the end of the Reporting Period, the number of corporate online banking customers increased by 45.07% over the end of the previous year.

2. *Personal Banking Business*

- During the Reporting Period, the Group's profit before tax in terms of personal banking business increased by 17.48% on a year-on-year basis to RMB29.124 billion. Net interest income was RMB60.791 billion, representing an increase of 19.69% on a year-on-year basis; net fee and commission income was RMB25.585 billion, representing an increase of 6.21% on a year-on-year basis.
- As at the end of the Reporting Period, the balance of personal deposits of the Group increased by 10.89% over the end of the previous year to RMB1,969.922 billion; the balance of personal loans increased by 7.28% over the end of the previous year to RMB1,754.765 billion and the total number of individual customers in domestic branches increased by 4.48% over the end of the previous year.
- As at the end of the Reporting Period, the balance of personal non-performing loans was RMB18.574 billion. The personal impaired loan ratio was 1.06%.

The Group actively responded to the transformation of digital trend, strengthened the principle of customer first, highlighted synergies of two-line services, practised technology empowerment, continuously consolidated the brand feature of "Your Best Wealth Management Bank", further promoted online and offline integrated operations, and brought new digital and intelligent service experiences to customers. During the Reporting Period, the growth rates of the personal financial assets under management (AUM), qualified customers of OTO FORTUNE and private banking all hit a new high in the past three years.

(1) *Personal financial assets under management (AUM) and personal deposit businesses*

Driven by “Financial Asset + Data Asset”, the Group increased the size of customers and personal financial assets under management (AUM). As at the end of the Reporting Period, the number of qualified customers of OTO FORTUNE increased by 19.01% over the end of the previous year to 1,504.0 thousand. The growth rate of the same calibre was higher than those of 2018 (12.38%) and 2017 (12.11%); and the personal financial assets under management (AUM) reached RMB3,446.315 billion, representing an increase of 12.71% over the end of the previous year, faster than those of 2018 (6.11%) and 2017 (6.44%). The Group continued to enrich the types of local and foreign currency savings deposit products, made every effort to promote personal deposit and the steady development of personal deposit businesses.

(2) *Personal loan businesses*

The Group strictly implemented the national macro-control policies, actively supported resident’s reasonable demand of housing for personal use and implemented differentiated management of mortgage loans to optimise the housing loan process. The Group enhanced the development of consumer finance, further optimised the process of “Benefit Loan”, relying on FinTech and data analysis and application to expand the customer base and enhance the intelligent risk control capability. As at the end of the Reporting Period, the Group’s personal housing mortgage loan balance increased by 12.69% to RMB1,135.428 billion over the end of the previous year. The balance of “Benefit Loan” increased by RMB6.470 billion to RMB13.344 billion over the end of the previous year. In addition, the Group optimised retail credit policies, integrated internal and external data and expanded the application of big data and quantitative model. The Group also launched the risk rule engine monitoring system to improve digital risk control capability.

(3) *Wealth management businesses*

The Group implemented the lifecycle management system, based on the hierarchical classification of customer base, and constantly improved professional wealth management capacity to meet the multi-level wealth management needs of customers. The Group also accelerated the online and offline integration, launched innovative online communication tools such as online live broadcast, one-to-one video, cloud banking and manager home page, and optimised the wealth management strategy consulting “OTO Financial Advisor” so as to build a new intelligent and digital service mode with human-machine cooperation. Besides, the Group, through the application of FinTech, launched an intelligent fixed investment service solution (fixed fund investment PLUS) to provide customers with intelligent services such as fixed investment amount adjustment and profit and loss reminder. As at the end of the Reporting Period, the balance of wealth management products under consignment increased by 27% over the end of the previous year, representing an increase of 23% in average daily growth over the previous year. The total sales of non-monetary funds increased by 70.4% over the end of the previous year, the AUM of the fund product hit a new high, and the sales of insurance products with premium payment in instalments increased by 31% on a year-on-year basis.

(4) *Private banking businesses*

The Group strengthened internal coordination and expanded the scope of cooperation with external institutions. The scale of family wealth management, global asset allocation, exclusive net worth wealth management, private banking accounts, agency trusts, and insurance business continued to grow. The Group enhanced the professional service capabilities of private banking, providing professional support and decision-making basis for customers’ asset allocation, product customisation, and plan design. As at the end of the Reporting Period, there were 47,191 private banking customers, an increase of 18.49% over the end of the previous year, which was higher than those of 2018 (11.09%) and 2017 (6.21%); the assets of private banking customers under management were RMB609.206 billion, representing an increase of 18.27% over the end of the previous year, higher than those of 2018 (9.58%) and 2017 (6.12%).

(5) *Credit card businesses*

Targeting at customer bases such as vehicle owners, women, and young people, the Bank launched 14 special products, including ETC Card, “Mi Card”, Yongjun Card, Ruubypay Co-branded Card, Ele.me Co-branded Card, and Sony PlayStation Game Theme Card, to optimise the customer structure. The Group continued to develop mobile payment and carry out marketing activities during peak season. The number of registered customers and the transaction volume increased significantly. The contribution of cumulative mobile payment transactions for the whole year increased by 3.44 percentage points on a year-on-year basis. “Go Pay” APP was further upgraded, with new functions such as flexible repayment and ETC service to enhance coordinated development with mobile banking. The accumulated number of registered customers exceeded 60.00 million, representing an increase of 11.42% over the end of the previous year. The number of monthly active users reached 25.68 million. During the Reporting Period, facing severe situation of risk, the Credit Card Centre actively adopted a clearance risk policy to moderately slow down the rate of customer acquisition. As at the end of the Reporting Period, the number of registered credit cards of domestic branches (including quasi-credit cards) amounted to 71.80 million, representing a net increase of 250 thousand over the end of the previous year. The number of total and newly-issued cards amounted to 120 million and 6,516.8 thousand, respectively. The accumulated annual consumption amounted to RMB2,948.327 billion, representing a year-on-year decrease of 3.97%. The Group’s credit card overdraft balance decreased by 7.48% over the end of the previous year to RMB467.387 billion. The credit card overdraft impaired ratio was 2.38%, representing an increase of 0.86 percentage point over the end of the previous year.

(6) *Debit card businesses*

As one of the first cooperative banks that were connected to the Highway Monitoring & Response Centre, the Bank actively participated in the promotion of ETC across the country. Customers of the Bank and other banks can apply for ETC equipment in the Bank’s mobile banking and “Go Pay” APP, with convenient services such as home delivery and Bluetooth activation. As at the end of the Reporting Period, the accumulated number of domestic Pacific debit cards amounted to 152.38 million, representing a net increase of 9.85 million over the end of the previous year. The accumulated annual consumption was RMB2,240.916 billion.

(7) *Mobile banking construction*

The Group strived to promote the construction and operation of new-generation mobile banking platform. On 18 November 2019, a new version of mobile banking themed “Centre on Me” was officially launched. Unlike the layout of traditional financial APP which simply stacked products together as a supermarket shelf, the new version created a customised homepage focusing on “Me”, with functions such as intelligent voice, ETC application, and revenue and expenditure accounting books. The Bank encouraged employees to be engaged in online services and promoted the construction of service system of all employees. As at the end of the Reporting Period, 88 thousand employees (including Credit Card Center) of the Bank generated personal marketing homepages and service QR codes to build a service network that was “Never Offline” for customers. The Bank promoted online cooperation and built in the mobile banking more than 20 scenarios, such as automobile service, and almost more than 1,500 utility payment services, such as payment for water, electricity and gas supply. As at the end of the Reporting Period, the Bank’s monthly active users of mobile banking reached 22,182.4 thousand, representing a year-on-year increase of 36.44%, and was awarded the “Best Mobile Banking” and “Best Digital Financial Innovation” in the 15th Annual Gala of China Financial Certification Association (CFCA).

(8) *Offline channel construction*

The Group optimised the network layout to maintain the offline layout advantages of the Bank that featured high coverage, multi-contact and excellent service. The Group also promoted the construction of intelligent outlets to realise interaction between mobile banking and intelligent machines and create a coordinated service model of online and offline platforms. The Group accelerated the reform and innovation, strengthened the construction of “One Leader Team, Two Staff Teams” and improved the comprehensive operation and mobile service capabilities of outlets. As at the end of the Reporting Period, the total number of domestic banking institutions’ outlets decreased by 162 to 3,079 over the end of the previous year, of which 27 were newly opened and 189 low-yield outlets were integrated. The Group’s network covered 242 cities at or above prefecture level, with the coverage ratio at prefecture and municipal-level cities at 72.46%, representing an increase of 0.90 percentage point over the end of the previous year. The coverage ratio in western China was 46.77%, representing an increase of 3.26 percentage points over the end of the previous year. The Bank strictly controlled the installation of traditional self-service equipment, particularly intensified the integration of low-yield machine. As at the end of the Reporting Period, the total number of domestic self-service equipment was nearly 17.3 thousand and the total number of self-service banks reached 1,738.

(9) *Service and consumer protection*

The Group insisted on building “the Bank with the Best Omni-channel Service”, enhanced service quality and effectiveness based on online and offline integration, and holistically improved customer experience in all channels. For the year of 2018, the Group was awarded the A-level bank in the People’s Bank of China Consumer Protection Rating and ranked first in the assessment of consumers’ rights protection rating by the CBIRC among 18 national large banks and joint-stock banks. 20 outlets were listed in the selection of “Top 100” demonstration units initiated by China Banking Association in 2019, ranking first in the banking industry in terms of quantity of awarded outlets. The Bank maintained the leading position in the assessment of “Top 100” and “Top 1,000” units for the 6th time.

3. *Inter-bank and Financial Market Treasury Businesses*

- During the Reporting Period, the Group’s profit before tax of financial market treasury businesses was RMB17.348 billion, including net interest income of RMB6.953 billion and net fee and commission income of RMB543 million.
- As at the end of the Reporting Period, the Group’s financial investments amounted to RMB3,005.843 billion, representing an increase of 6.52% over the end of the previous year. During the Reporting Period, the securities investment yield was 3.55%.

The Group strengthened the credit risk management of inter-bank customers, optimised the structure of on-and-off-balance-sheet assets and liabilities, promoted business innovation in inter-bank and financial markets, fully collaborated with the corporate and retail businesses to leverage each other’s advantages and serve the real economy for high-quality development.

(1) *Inter-bank businesses*

The Group deepened the business cooperation of financial factor market and served the construction of financial infrastructure. Supporting the construction of Renminbi-denominated products, such as “Shanghai Gold Futures”, “Shanghai Crude Oil Futures”, iron ore, and PTA, the Group was in the leading position in the Shanghai International Energy Centre’s crude oil futures deposit market. Assisting Shanghai Clearing House in the expansion of market players in the financial factor market, the Group developed central counterparty clearing agency services, which ranked among the top in terms of market share in industries including foreign exchange and bonds. The Group provided foreign currency account banking services to the first three pilot foreign exchange settlement and sale brokers, to further enrich the structure of market players in the foreign exchange sector. The Group implemented credit granting and capital write-down of the central counterparty to activate trading and lower capital cost. During the Reporting Period, the average balance of financial factor market deposits increased by RMB27.411 billion to RMB199.942 billion over the previous year.

The Group strengthened the construction of inter-bank platforms. As at the end of the Reporting Period, there were 1,130 cooperative corporate customers on inter-bank platforms, representing an increase of 246 over the end of the previous year. There were 965 cooperative banking corporate customers on inter-bank asset management platforms, representing an increase of 243 over the end of the previous year. Relying on advantage of inter-bank products, the Group actively conducted the “Rural Credit Cooperatives Project” and supported financial services of “Agriculture, Rural areas and Farmers” and remote areas through inter-bank cooperation. As one of the first pilot commercial banks, the Group initiated local bond counter businesses in places such as Sichuan, Zhejiang and Beijing, providing investment products with profitability, liquidity and stability to local residents and small-and-medium institutions.

The Group supported the construction of multi-level capital markets and actively strengthened the system connection with securities companies and futures companies with relevant business qualifications. As at the end of the Reporting Period, the Bank’s system connection covered 100% of the third-party depository systems and 97.98% of the bank-future account transfer systems. The Group continuously carried out the “Customer Recommendation Gift for Transactions with Securities and Future Trading Companies” campaign. The number of customers for transactions with securities and future trading companies increased by 973.3 thousand over the end of the previous year. The balance of the deposit pledged as collateral of futures trading companies reached RMB82.9 billion, maintaining a market leading position.

(2) *Financial market businesses*

The Group actively performed the duties of a market maker in “Bond Connect” businesses. During the Reporting Period, 1,249 “Bond Connect” transactions were completed, amounting to RMB188.711 billion. The Group actively developed the Renminbi bond lending businesses and signed master agreements for Renminbi bond lending businesses with 125 institutions. During the Reporting Period, the trading volume of Renminbi bonds of domestic branches reached RMB5.28 trillion. The foreign exchange transaction volume in the inter-bank foreign exchange market reached USD1,839.896 billion. The accumulated amount of Renminbi currency market transactions of domestic branches reached RMB36.68 trillion, including RMB25.42 trillion lent and RMB11.26 trillion borrowed. The accumulated transaction volume of the foreign currency market reached USD647.285 billion.

The Group arranged different product positions quarterly, optimised the structure of bond and rationally optimised the duration of portfolio. As at the end of the Reporting Period, the Group’s financial investment reached RMB3,005.843 billion, representing an increase of 6.52% over the end of the previous year. During the Reporting Period, the securities investment yield was 3.55%.

(3) *Asset management businesses*

Under the unified arrangement of the Wealth Management Strategy Promotion Committee, the Group steadily promoted the transformation of off-balance-sheet wealth management business, boosted the competitiveness of net worth products, and provided customers with safe and stable wealth management services. During the Reporting Period, the average balance of net worth asset management products increased by RMB156.959 billion over the previous year, with an average balance of RMB274.547 billion, the proportion of which to off-balance-sheet asset management products increased by 15.12 percentage points to 30.64% over the previous year. The average balance of off-balance-sheet asset management products reached RMB895.920 billion, representing an increase of 18.25% or RMB138.301 billion over the previous year.

(4) *Precious metal businesses*

The Bank was one of the first batch of silver futures market makers on the Shanghai Futures Exchange, obtained the qualification such as the first-batch member participating in “Shanghai Silver Futures” on Shanghai Gold Exchange (SGE), and pioneered in innovative transactions such as silver inquiry options on SGE and NYAuTN. During the Reporting Period, the domestic branches achieved RMB159.294 billion in terms of volume of precious metal brokerage transactions. The sales volume of physical precious metal products amounted to RMB1.470 billion. The accumulated volume of self-operated gold trading amounted to 11.1 thousand tonnes, ranking top 3 in Shanghai Gold Exchange in terms of self-operated gold trading. The Group maintained its market position as an active trading bank. The Group won 11 prizes including the first prize of “Excellent Financial Member”, “Best Market Maker in Inter-bank Inquiry Market”, “Best Pricing Transaction Member”, “Inquiry Market Innovation Product Contribution Award”, and “Special Contribution to Delivery Business” for the year of 2018 by SGE, and was awarded other prizes including “Special Contribution Award to Market Making Industry” and “Award for Service in Gold Industry” for the year of 2018 by Shanghai Futures Exchange.

4. *Internationalisation and Integrated Operation*

(1) *Internationalisation strategy*

- During the Reporting Period, net profit of the Group’s overseas banking institutions increased by 15.54% on a year-on-year basis to RMB6.363 billion, whose contribution to the Group’s total net profit increased by 0.75 percentage point to 8.23% on a year-on-year basis.
- As at the end of the Reporting Period, the total assets of the Group’s overseas banking institutions increased by 8.87% over the end of the previous year to RMB1,164.018 billion, whose contribution to the Group’s total asset increased by 0.53 percentage point to 11.75% over the end of the previous year.
- As at the end of the Reporting Period, the non-performing loan balances of the Group’s overseas banking institutions was RMB761 million, and the impaired loan ratio was 0.20%.

Returning to serving the real economy, the Group fully implemented the requirements of state's strategy, seized the opportunities in policies and market emerging in the new round of opening-up, and made intensive efforts to engage domestic enterprise customers that are "Going Global" and overseas local customers, highlighted differentiated development across regions and businesses among overseas banks, and comprehensively improved financial service and value creation capabilities across borders, industries and markets.

International settlement and trade financing businesses

The Group vigorously carried out international settlement and cross-border trade financing business, implemented measures that facilitated stable growth and convenience in foreign trade, supported supply-side structural reforms, served the balanced growth of bilateral trade between China and key countries and regions, and met enterprises' financial needs for international trade. The Group accelerated the integration of Fintech and international businesses with new products such as "Te Xian Tong". During the Reporting Period, international payment reached RMB2,176.079 billion, an increase of 0.32 percentage point in market share over the previous year, the volume of financing for international trade reached RMB113.879 billion, and the volume of external guarantee of domestic branches reached RMB36.091 billion.

Overseas service network

The landscape of overseas service network made a steady progress. In 2019, the Bank's Prague Branch in the Czech Republic officially opened. The application for setting up Dubai (International Financial Centre) Branch was approved by domestic regulatory authorities, and the application for setting up Johannesburg Branch was approved by domestic and overseas regulatory authorities. At present, the Group established 22 overseas branches (sub-branches) and representative offices in 17 countries and regions, with a total of 68 overseas business outlets (excluding representative offices). The Group established agency relationships with 1,058 banks in 127 countries and regions, set up 234 cross-border Renminbi inter-bank accounts for 114 overseas Renminbi participating banks in 32 countries and regions and opened 81 foreign currency settlement accounts in 26 major currencies with 62 banks in 31 countries and regions.

Domestic and overseas synergetic businesses

Efforts will be made to leverage the advantages of the Group's domestic and overseas synergetic services. The Group's internal synergy provided customers with various financial service solutions for cross-border business, satisfying enterprises' needs for investment and financing when "going abroad". The Group also provided comprehensive financial service plans, including cross-border settlement, trade financing, project financing, international syndicates, and overseas bond financing. During the Reporting Period, the Group supported key enterprises and groups to explore overseas markets, provided efficient and convenient cross-border financial services, improved the quality and effectiveness of BoCom cross-border financial services, and promoted the transformation of the traditional single financing model to a diversified financing model in domestic and overseas synergetic business.

Cross-border Renminbi transactions

The Group actively carried out pilot projects for higher-level trade and investment facilitation, promoted cross-border RMB product innovation, and processed the nation's first cross-border RMB financing business under the real estate mortgage issued by an overseas branch of Chinese banks in the Greater Bay Area. The Group strengthened comprehensive strategic cooperation with Cross-border Inter-bank Payment System to strengthen CIPS clearing business. During the Reporting Period, the volume of cross-border RMB settlement of domestic and overseas banking institutions exceeded RMB2.4 trillion, representing an increase of 16% on a year-on-year basis.

Offshore services

The Group focused on its main responsibility and businesses, drove the in-depth integration of offshore banking business into innovative areas such as the free trade zone and the integrated Yangtze River Delta, and maintained steady development for various businesses. During the Reporting Period, the net operating income of offshore business amounted to USD221.8963 million, representing a year-on-year increase of 11.51%. The net fee and commission income was USD131 million, representing an increase of 17.11% on a year-on-year basis. The total amount of offshore assets reached USD18.229 billion, representing an increase of 5.81% over the end of the previous year. Loan balance reached USD9.943 billion, and deposit balance reached USD11.259 billion.

(2) *Integrated operation*

- During the Reporting Period, net profit attributable to shareholders of the Bank from the controlling subsidiaries (excluding Bank of Communications (Luxembourg) Co., Ltd., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Co., Ltd., same applies hereinafter) amounted to RMB5.561 billion, representing a year-on-year increase of 17.20%, the proportion of which to the Group's net profit increased by 0.76 percentage point to 7.20% on a year-on-year basis.
- As at the end of the Reporting Period, the total assets of the controlling subsidiaries increased by 15.49% over the end of the previous year to RMB424.738 billion, the proportion of which to the total assets of the Group increased by 0.43 percentage point to 4.29% over the end of the previous year.

The Group established a development pattern based on commercial banking businesses with cooperation of businesses including trust, financial leasing, asset management, insurance, investment banking, and debt-to-equity swap, further improving the capability of providing customers with comprehensive services.

Bank of Communications Financial Leasing Co., Ltd. adhered to the development strategy of “Professional, Internalisation, Differentiation and Characteristics”. Both the total amount of leasing assets and its increment ranked first in the industry. It also promoted aviation and shipping businesses to highlight the professional advantages. As at the end of the Reporting Period, the balance of leasing assets amounted to RMB247.525 billion, including aircraft and ship assets amounting to RMB154.988 billion, with fleets of 249 planes and 428 ships.

Bank of Communications International Trust Co., Ltd., focused on the development of three key businesses, namely asset management, wealth management and fiduciary services. It accelerated the pace of business transformation, and promoted the development of specialised fields such as active management, asset securitisation and family wealth management. As at the end of the Reporting Period, the assets under management (AUM) reached RMB775.149 billion.

Bank of Communications Schroder Fund Management Co., Ltd. seized the opportunities for business development and combined investment with research. It achieved outstanding investment performance driven by high quality research. The yield of stock investment under active management in recent five years ranked 2/70 in the industry, 8/86 in yield in recent three years, and 11/109 in yield in most recent year. Returns of 10 fund products in recent five years doubled. The return of 20 fund products during the Reporting Period was more than 40%. As at the end of the Reporting Period, the public fund under management reached RMB220.1 billion.

With the strategic goal of “Becoming a Company with a Leading Position in Growth and Profitability of Guaranteed Insurance”, BoCommLife Insurance Company Limited stayed committed to providing insurance guarantee, and maintained a stable business performance with good momentum for growth. During the Reporting Period, the original premium income was RMB11.3 billion and the value of new business increased by 19% on a year-on-year basis.

China BoCom Insurance Co., Ltd. vigorously expanded banking-insurance business linkage in China and overseas, officially obtained the full-coverage aviation insurance license issued by the Hong Kong Insurance Authority (No. 5 Aviation Insurance License and No. 11 Aviation Liability Insurance License), and became the sixth Chinese-funded insurer in Hong Kong who obtained a full-coverage aviation insurance license and the fourth one with a full-coverage general insurance business license. During the Reporting Period, the gross premiums increased by 12.60% and the net compensation rate was 13.23%, both of which were better than the market level.

BOCOM Financial Assets Investment Co., Ltd. made great efforts to develop the main business of market-oriented debt-to-equity swap, effectively reduced the corporate leverage ratio and actively served the development of the real economy. During the Reporting Period, a total of 56 debt-to-equity swap projects were put into operation (40 of which were new projects during the year), amounting to RMB31.431 billion (including RMB23.682 billion occurred during the year).

Since its opening in June 2019, BOCOM Wealth Management Co., Ltd. has successively issued public offering and private offering wealth management products for value preservation and appreciation of assets of individuals, private banks and inter-bank customers. As at the end of the Reporting Period, the balance of products was RMB110.205 billion.

(III) Financial Statement Analysis

1. Analysis on Key Income Statement Items

(1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by RMB2.133 billion on a year-on-year basis, representing an increase of 2.48% to RMB88.200 billion. Profit before tax was mainly derived from net interest income and net fee and commission income.

The table below illustrates the selected items from the income statement of the Group during the periods indicated:

	<i>(in millions of RMB)</i>	
	2019	2018
Net interest income	144,083	130,908
Net non-interest income	88,774	82,147
Including: Net fee and commission income	43,625	41,237
Net operating income	232,857	213,055
Credit impairment losses	(51,954)	(43,454)
Impairment losses on other assets	(270)	(60)
Insurance business expense	(11,432)	(6,722)
Other operating expenses	(81,001)	(76,752)
Including: Operating costs	(66,560)	(64,040)
Profit before tax	88,200	86,067
Income tax	(10,138)	(11,902)
Net profit for the year	78,062	74,165

The table below illustrates the breakdown of the net operating income of the Group during the periods indicated:

(in millions of RMB unless otherwise stated)

Items	2019		Increase on
	Amount	Proportion (%)	a year-on-year basis (%)
Net interest income	144,083	61.88	10.06
Net fee and commission income	43,625	18.74	5.79
Net gains from trading activities	15,936	6.84	(6.80)
Net gains from financial investments	313	0.13	7.93
Net gains from investments in associates and joint ventures	414	0.18	82.38
Insurance business income	11,687	5.02	56.22
Other operating income	16,799	7.21	6.24
Total	232,857	100.00	9.29

(2) *Net interest income*

During the Reporting Period, the Group's net interest income increased by RM13.175 billion on a year-on-year basis to RMB144.083 billion, accounting for 61.88% of the net operating income, which was a major component of the Group's income.

The table below shows the average daily balances, associated interest income and expenses and average rate of return or average costs ratio of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB unless otherwise stated)

	For the twelve months ended 31 December 2019			For the twelve months ended 31 December 2018		
	Average balance	Interest income/ (expense)	Average rate of return (cost) (%)	Average balance	Interest income/ (expense)	Average rate of return (cost) (%)
Assets						
Cash and balances with central banks	810,744	11,691	1.44	892,407	13,048	1.46
Due from banks and other financial institutions	820,846	24,167	2.94	791,264	24,945	3.15
Loans and advances to customers	4,969,586	242,948	4.89	4,625,409	225,422	4.87
Including: Corporate loans	3,124,000	145,053	4.64	2,974,243	135,890	4.57
Individual loans	1,632,315	90,667	5.55	1,507,695	82,821	5.49
Discounted bills	213,271	7,228	3.39	143,471	6,711	4.68
Investment securities	2,498,842	88,647	3.55	2,383,808	85,449	3.58
Interest-bearing assets	9,100,018	367,453	4.04	8,692,888	348,864	4.01
Non-interest-bearing assets	812,366			662,259		
Total assets	9,912,384			9,355,147		
Liabilities and Shareholders' Equity						
Equity						
Due to customers	5,919,435	139,153	2.35	5,668,198	128,589	2.27
Including: Corporate deposits	4,016,938	92,749	2.31	3,905,635	86,677	2.22
Individual deposits	1,902,497	46,404	2.44	1,762,563	41,912	2.38
Due to banks and other financial institutions	2,027,770	57,650	2.84	2,066,506	66,788	3.23
Debt securities issued and others	764,402	26,567	3.48	575,704	22,579	3.92
Interest-bearing liabilities	8,711,607	223,370	2.56	8,310,408	217,956	2.62
Shareholders' equity and non interest-bearing liabilities	1,200,777			1,044,739		
Total Liabilities and Shareholders' Equity	9,912,384			9,355,147		
Net interest income		144,083			130,908	
Net interest spread¹			1.48			1.39
Net interest margin²			1.58			1.51
Net interest spread^{1,3}			1.67			1.56
Net interest margin^{2,3}			1.77			1.68

Notes:

1. Represented the difference between the average rate of return on total average interest-bearing assets and the average cost of total average interest-bearing liabilities.
2. Represented the net interest income to total average interest-bearing assets.
3. Taken into account the tax exemption on the interest income from bonds.

During the Reporting Period, the Group's net interest income increased by 10.06% on a year-on-year basis. The net interest spread increased by 9 basis points on a year-on-year basis to 1.48%. The net interest margin increased by 7 basis points on a year-to-year basis to 1.58%. The net interest spread and net interest margin in the fourth quarter increased by 4 basis points and 6 basis points respectively as compared with those in the third quarter.

The table below shows the net interest spreads and net interest margin of the Group for each quarter of the period indicated.

Item (%)	2019			
	January – March	April – June	July – September	October – December
Net interest spreads	1.48	1.46	1.45	1.49
Net interest margin	1.59	1.56	1.56	1.62
Net interest spreads ^{Note}	1.67	1.65	1.64	1.69
Net interest margin ^{Note}	1.78	1.75	1.75	1.82

Note: Taken into account the tax exemption on interest income from bond investments.

The table below illustrates the impact of changes in scales and interest rates on the Group's interest income and interest expenses. The changes in scales and interest rates are based on the changes in average balance and the changes on interest rates of interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

Comparison between 2019 and 2018			
Increase/(Decrease) due to			
	Amount	Interest rate	Net increase/ (decrease)
Interest-bearing assets			
Cash and balances with central banks	(1,192)	(165)	(1,357)
Due from banks and other financial institutions	932	(1,710)	(778)
Loans and advances to customers	16,761	765	17,526
Investment securities	4,118	(920)	3,198
Changes in interest income	20,619	(2,030)	18,589
Interest-bearing liabilities			
Due to customers	5,703	4,861	10,564
Due to banks and other financial institutions	(1,251)	(7,887)	(9,138)
Debt securities issued and others	7,397	(3,409)	3,988
Changes in interest expense	11,849	(6,435)	5,414
Changes in net interest income	8,770	4,405	13,175

During the Reporting Period, the Group's net interest income increased by RMB13.175 billion on a year-on-year basis, of which the increase of RMB8.770 billion was due to changes in the average balances of assets and liabilities and the increase of RMB4.405 billion was due to changes in the average rate of return and average cost ratio.

① Interest income

During the Reporting Period, the Group's interest income increased by RMB18.589 billion or 5.33% on a year-on-year basis to RMB367.453 billion. The interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 66.12%, 24.12% and 3.18% of total interest income, respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by RMB17.526 billion or 7.77% on a year-on-year basis to RMB242.948 billion, which was largely due to the impact on the average balance of loans and advances to customers increasing by RMB344.177 billion.

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by RMB3.198 billion or 3.74% on a year-on-year basis to RMB88.647 billion, which was largely due to the year-on-year increase by RMB115.034 billion in the average balance of investment securities.

C. Interest income from cash and balances with central banks

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, interest income from cash and balances with central banks decreased by RMB1.357 billion or 10.40% on a year-on-year basis to RMB11.691 billion, which was largely due to the year-on-year basis decrease by RMB81.663 billion in the average balances of cash and balances with central banks.

D. Interest income from balances due to banks and other financial institutions

During the Reporting Period, the interest income from balances due from banks and other financial institutions decreased by RMB0.778 billion or 3.12% on a year-on-year basis to RMB24.167 billion, which was largely due to the year-on-year decrease of 21 basis points in the average rate of return on due from banks and other financial institutions.

② Interest expenses

During the Reporting Period, the Group's interest expenses increased by RMB5.414 billion or 2.48% on a year-on-year basis to RMB223.370 billion.

A. Interest expenses on due to customers

Due to customers were the Group's main source of funding. During the Reporting Period, interest expenses on due to customers increased by RMB10.564 billion or 8.22% on a year-on-year basis to RMB139.153 billion, accounting for 62.30% of total interest expenses. The increase in interest expenses of due to customers was largely due to a year-on-year increase by RMB251.237 billion in average balances of due to customers and a year-on-year increase of 8 basis points in the average rate of cost of due to customers.

B. Interest expenses on balances due to banks and other financial institutions

During the Reporting Period, interest expenses on balances due to banks and other financial institutions decreased by RMB9.138 billion or 13.68% on a year-on-year basis to RMB57.650 billion, which was largely due to a year-on-year basis decrease of 39 basis points in the average rate of cost of balances due to banks and other financial institutions.

C. Interest expenses on debt securities issued and other interest-bearing liabilities

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by RMB3.988 billion or 17.66% on a year-on-year basis to RMB26.567 billion, which was largely due to a year-on-year increase of RMB188.698 billion in average balance of debt securities issued and other interest-bearing liabilities.

(3) *Net fee and commission income*

Net fee and commission income was an important component of the Group's net operating income. During the Reporting Period, the Group continued facilitating the transformation of its profit-making mode and diversified revenue streams. During the Reporting Period, the Group's net fee and commission income increased by RMB2.388 billion or 5.79% on a year-on-year basis to RMB43.625 billion. Management services were the main drivers of the Group's net fee and commission income.

The table below illustrates the breakdown of the Group's net fee and commission income for the periods indicated:

	<i>(in millions of RMB)</i>	
	2019	2018
Bank cards	21,050	20,114
Management services	14,400	12,524
Investment banking	4,337	4,424
Agency services	3,098	2,777
Guarantee and commitment	2,520	2,461
Settlement services	2,024	2,167
Others	240	206
Total fee and commission income	47,669	44,673
Less: fee and commission expenses	(4,044)	(3,436)
Net fee and commission income	43,625	41,237

Fee income from bank card services increased by RMB0.936 billion or 4.65% on a year-on-year basis to RMB21.050 billion, mainly due to an increase of card issuance and card consumption businesses.

Fee income from management services increased by RMB1.876 billion or 14.98% on a year-on-year basis to RMB14.400 billion, mainly due to the increase in the income of wealth management investment products and asset securitization.

Fee income from investment banking decreased by RMB0.087 billion or 1.97% on a year-on-year basis to RMB4.337 billion.

Fee income from agency services increased by RMB0.321 billion or 11.56% on a year-on-year basis to RMB3.098 billion.

Fee income from guarantee and commitment services increased by RMB0.059 billion or 2.40% on a year-on-year basis to RMB2.520 billion.

Fee income from settlement services decreased by RMB0.143 billion or 6.60% on a year-on-year basis to RMB2.024 billion.

(4) *Credit impairment losses*

During the Reporting Period, the Group's impairment losses on credit was RMB51.954 billion, including the credit impairment losses on loans which increased by RMB6.585 billion or 15.50% on a year-on-year basis to RMB49.081 billion.

(5) *Operating costs*

During the Reporting Period, the Group's operating costs increased by RMB2.520 billion or 3.94% on a year-on-year basis to RMB66.560 billion. The Group's cost-to-income ratio was 30.11%, representing a year-on-year decrease of 1.39 percentage points. The cost-to-income ratio would decrease by about 2 percentage points from 30.11% if the tax exemption effect of bond interest and other income was further reduced.

The table below illustrates the breakdown of the Group's operating costs for the periods indicated:

	<i>(in millions of RMB)</i>	
	2019	2018
Staff costs and welfare ^{Note}	32,927	29,995
Operating expenses ^{Note}	25,528	28,368
Depreciation and amortization	8,105	5,677
Total operating costs	66,560	64,040

Note: Due to changes in the presentation of financial statement items, comparative data have been restated in accordance with the current presentation.

(6) *Income tax*

During the Reporting Period, the Group's income tax expenses decreased by RMB1.764 billion or 14.82% on a year-on-year basis to RMB10.138 billion. The effective tax rate of 11.49% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group, as promulgated in relevant tax provisions.

2. Analysis on Key Balance Sheet Items

(1) Assets

As at the end of the Reporting Period, the Group's total assets increased by RMB374.429 billion or 3.93% over the end of the previous year to RMB9,905.600 billion.

The table below illustrates the balances (after impairment allowances) of the key components of the Group's total assets and their proportion to the total assets as at the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2019		31 December 2018	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	5,183,653	52.34	4,742,372	49.76
Financial investments	3,005,843	30.34	2,821,909	29.61
Cash and balances with central banks	760,185	7.67	840,171	8.81
Due from banks and other financial institutions	648,488	6.55	848,067	8.90
Others	307,431	3.10	278,652	2.92
Total assets	9,905,600	100.00	9,531,171	100.00

① Loans and advances to customers

During the Reporting Period, the Group achieved a balanced and steady growth in loans with reasonably controlling of the amount, direction and pace of credit. As at the end of the Reporting Period, the Group's total loans and advances to customers increased by RMB450.047 billion or 9.27% over the end of the previous year to RMB5,304.275 billion, among which the Renminbi loans from domestic branches increased by RMB424.294 billion or 10.01% over the end of the previous year.

The table below illustrates the balance and breakdown of the Group's loans and advances to customers for the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2019		31 December 2018	
	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	3,346,476	63.09	3,061,915	63.08
– Short term loans	1,189,543	22.43	1,170,200	24.11
– Medium and long-term loans	2,156,933	40.66	1,891,715	38.97
Individual loans	1,754,765	33.08	1,635,627	33.69
– Mortgage	1,135,428	21.41	1,007,528	20.75
– Credit card	467,387	8.81	505,190	10.41
– Others	151,950	2.86	122,909	2.53
Discounted bills	203,034	3.83	156,686	3.23
Total loans and advances to customers	5,304,275	100.00	4,854,228	100.00

At the end of the Reporting Period, the Group's corporate loan balance was RMB3,346.476 billion, achieving an increase of RMB284.561 billion or 9.29% over the end of the previous year, whose proportion in loans and advances to customers and receivables increased by 0.01 percentage point to 63.09% over the end of the previous year. Short-term loans increased by RMB19.343 billion, and medium- and long-term loans increased by RMB265.218 billion. The balance of individual loans was RMB1,754.765 billion, representing an increase of RMB119.138 billion or 7.28% over the end of the previous year, whose proportion in loans and advances to customers decreased by 0.61 percentage point to 33.08% over the end of the previous year.

Loan concentration by geography

The Group's credit customers were mainly located in the Yangtze River Delta, Bohai Rim Economic Zone and Pearl River Delta. As at the end of the Reporting Period, the proportion of loans and advances to customers in these three regions accounted for 36.03%, 15.96% and 8.78% respectively, and the loan balances for the above three regions increased by 5.06%, 7.45% and 22.42% respectively over the end of the previous year.

The following table illustrates the distribution of the Group's loans and advances to customers analysed by security type on the dates indicated:

(in millions of RMB unless otherwise stated)

Loan classification	31 December 2019		31 December 2018	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	1,844,304	34.77	1,554,652	32.03
Guaranteed loans	943,076	17.78	895,738	18.45
Collateralised and other secured loans	2,516,895	47.45	2,403,838	49.52
– Loans secured by collateral	1,926,508	36.32	1,732,818	35.70
– Pledged loans	<u>590,387</u>	<u>11.13</u>	<u>671,020</u>	<u>13.82</u>
Total	<u>5,304,275</u>	<u>100.00</u>	<u>4,854,228</u>	<u>100.00</u>

Expected credit loss allowance of loans and advances to customers:

(in millions of RMB)

	Expected credit loss allowance-loans and advances to customers
Loss allowance as of January 1, 2019	125,540
Accrual/(Reversal) in the period	49,081
Transfer in/(transfer out) in the period	(1,329)
Written-offs and disposals in the period	(41,983)
Recovery after written-offs	2,688
Exchange differences	55
Loss allowance as at December 31, 2019	134,052

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by RMB183.934 billion or 6.52% over the end of the previous year to RMB3,005.843 billion.

The table below illustrates the breakdown of the Group's financial investments by nature and by the presentation basis of financial statements as of the dates indicated:

- The breakdown of investments by nature:

	<i>(in millions of RMB)</i>	
	31 December 2019	31 December 2018
Bonds	2,585,678	2,369,521
Equity instruments and others	420,165	452,388
Total	<u>3,005,843</u>	<u>2,821,909</u>

- The breakdown of investments by the presentation basis of financial statements:

	<i>(in millions of RMB unless otherwise stated)</i>			
	31 December 2019		31 December 2018	
	Balance	Proportion(%)	Balance	Proportion(%)
Financial investments at fair value through profit and loss	406,498	13.52	376,386	13.34
Financial investments at amortized cost	1,929,689	64.20	2,000,505	70.89
Financial investments at fair value through other comprehensive income	669,656	22.28	445,018	15.77
Total	<u>3,005,843</u>	<u>100.00</u>	<u>2,821,909</u>	<u>100.00</u>

As at the end of the Reporting Period, the balance of the Group's bond investments increased by RMB216.157 billion or 9.12% over the end of the previous year to RMB2,585.678 billion. In the future, based on the research and judgment of the economic and financial situation, the Bank will focus on restructuring the existing structure and optimizing reinvestment. Firstly is to increase investment in high-liquidity asset and bonds, with a focus on local and national debt. For policy-oriented financial bonds, while meeting the necessary underwriting share of the primary market, the Bank will strengthen secondary market transactions and increase transaction volume. Secondly is to increase investment in credit bonds by choosing opportunities to enhance the role of credit bonds as an investment income driver. The Bank will strengthen credit research, continue to develop an insight of interest rates and credit spreads, wait for wider spreads, and choose opportunities to invest in high-quality credit bonds. Thirdly is to optimize the structure of existing assets. The Bank will choose the opportunity to adjust the existing low-yield bonds and allocate other higher-yield assets according to market conditions.

The table below illustrates the breakdown of the Group's investment securities by issuers as of the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2019		31 December 2018	
	Balance	Proportion (%)	Balance	Proportion (%)
Government and central banks	1,788,034	69.15	1,511,839	63.81
Public sector entities	29,797	1.15	34,651	1.46
Banks and other financial institutions	634,303	24.53	696,168	29.38
Corporate entities	133,544	5.17	126,863	5.35
Total	<u>2,585,678</u>	<u>100.00</u>	<u>2,369,521</u>	<u>100.00</u>

As at the end of the Reporting Period, financial bonds held by the Group amounted to RMB634.303 billion, including policy bank bonds of RMB278.609 billion and banks and non-bank financial institutions bonds of RMB355.694 billion, which accounted for 43.92% and 56.08% of the total bonds, respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
2018 policy bank bonds	6,909	4.99	24/01/2023	1.03
2017 policy bank bonds	6,590	4.39	08/09/2027	0.96
2018 policy bank bonds	6,420	4.82	24/01/2021	0.95
2017 policy bank bonds	5,890	4.44	09/11/2022	0.86
2015 policy bank bonds	5,863	3.74	10/09/2025	0.89
2018 policy bank bonds	5,010	4.98	12/01/2025	0.74
2018 policy bank bonds	4,420	4.83	22/01/2021	0.66
2018 policy bank bonds	4,400	4.97	29/01/2023	0.66
2018 policy bank bonds	4,380	4.53	07/02/2020	0.65
2017 policy bank bonds	3,630	4.14	11/09/2020	0.53

③ Foreclosed assets

The following table illustrates selected information of the Group's foreclosed asset on the dates indicated:

	<i>(in millions of RMB)</i>	
	31 December 2019	31 December 2018
Original value of foreclosed assets	907	952
Less: impairment allowance of foreclosed assets	(148)	(128)
Net value of foreclosed assets	759	824

(2) *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities increased by RMB278.825 billion or 3.16% over the end of the previous year to RMB9,104.688 billion. Among them, due to customers increased by RMB280.581 billion or 4.90% over the end of the previous year, which accounted for 65.96% of total liabilities and represented an increase of 1.10 percentage points over the end of the previous year. Balance of due to banks and other financial institutions decreased by RMB179.670 billion or 16.31% over the end of the previous year, which accounted for 10.12% of total liabilities and represented a decrease of 2.36 percentage points over the end of the previous year.

Due to customers

Due to customers were the Group's primary source of funding. As at the end of the Reporting Period, the Group's due to customer balance increased by RMB280.581 billion or 4.90% over the end of the previous year to RMB6,005.070 billion. In terms of the Group's customer structure, the proportion of corporate deposits was 67.14%, representing a decrease of 1.76 percentage points over the end of the previous year. The proportion of individual deposits was 32.80%, representing an increase of 1.77 percentage points over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits increased by 0.71 percentage point over the end of the previous year to 43.27%, while the proportion of time deposits decreased by 0.70 percentage point over the end of the previous year to 56.67%.

The table below illustrates the Group's corporate and individual deposits as of the dates indicated:

	<i>(in millions of RMB)</i>		
	31 December 2019	31 December 2018	31 December 2017
Corporate deposits	4,031,784	3,944,098	3,856,119
Including: Corporate demand deposits	1,835,688	1,748,857	1,852,676
Corporate time deposits	2,196,096	2,195,241	2,003,443
Individual deposits	1,969,922	1,776,488	1,685,792
Including: Individual demand deposits	762,669	687,393	655,559
Individual time deposits	1,207,253	1,089,095	1,030,233

3. *Analysis on Key Cash Flow Items*

As at the end of the Reporting Period, the Group's cash and cash equivalents decreased by RMB75.757 billion over the end of the previous year to RMB167.735 billion.

The net cash outflows from operating activities increased by RMB206.437 billion on a year-on-year basis to RMB82.545 billion, which mainly resulted from a year-on-year increase of net cash outflows from loans and advances to customers.

The net cash outflows from investing activities decreased by RMB18.332 billion on a year-on-year basis to RMB81.808 billion, which mainly due to a year-on-year decrease in net cash outflows related to financial investing activities.

The net cash inflows from financing activities increased by RMB100.204 billion on a year-on-year basis to RMB86.728 billion, which was mainly resulted from a year-on-year increase of cash inflow from issuance of bonds and perpetual bonds during the year.

4. Segment Analysis

(1) Operating results by geographical segments

The table below illustrates the profit before tax and net operating income from each of the Group's geographical segments for the periods indicated:

	2019		(in millions of RMB) 2018	
	Profit before tax	Net operating income ¹	Profit before tax	Net operating income ¹
Northern China	13,631	23,065	12,136	21,765
North Eastern China	(1,528)	6,651	(3,909)	7,128
Eastern China	33,487	90,115	32,720	75,502
Central and Southern China	24,554	42,273	22,249	39,041
Western China	9,352	18,925	6,610	17,445
Overseas	8,932	14,558	7,899	13,285
Head Office	(228)	37,270	8,362	38,889
Total²	88,200	232,857	86,067	213,055

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains from financial investments, net gains from investments in associates and joint ventures, insurance business income and other operating income. Same applies hereinafter.
2. Including profit/(loss) attributable to non-controlling interests. Same applies hereinafter.

(2) *Deposits and loans and advances by geographical segments*

The table below illustrates the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

(in millions of RMB)

	31 December 2019		31 December 2018	
	Deposit balances	Loans and advances balances	Deposit balances	Loans and advances balances
Northern China	1,064,499	689,601	994,799	619,891
North Eastern China	306,599	212,871	301,526	205,989
Eastern China	2,126,127	1,830,275	2,040,424	1,710,884
Central and Southern China	1,363,673	1,106,903	1,292,776	941,511
Western China	661,266	532,796	652,735	480,670
Overseas	465,096	391,517	424,431	355,681
Head Office	17,810	540,312	17,798	539,602
Total	<u>6,005,070</u>	<u>5,304,275</u>	<u>5,724,489</u>	<u>4,854,228</u>

(3) *Operating results by business segments*

The Group's four main business segments were corporate banking, personal banking, treasury businesses and other businesses.

The table below illustrates the Group's profit before tax and net operating income from each of the Group's segments for the periods indicated:

(in millions of RMB unless otherwise stated)

	2019		2018	
	Balance	Proportion(%)	Balance	Proportion(%)
Net operating income	232,857	100.00	213,055	100.00
Corporate banking	104,712	44.96	97,090	45.57
Personal banking	88,686	38.09	77,957	36.59
Treasury businesses	19,598	8.42	23,885	11.21
Other businesses	19,861	8.53	14,123	6.63
Profit before tax	88,200	100.00	86,067	100.00
Corporate banking	38,373	43.51	37,065	43.07
Personal banking	29,124	33.02	24,790	28.80
Treasury businesses	17,348	19.67	21,230	24.67
Other businesses	3,355	3.80	2,982	3.46

5. *Capital Adequacy Ratio*

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval from the CBIRC in 2014, the Bank steadily implemented and applied it in accordance with the regulatory requirements. Upon the approval of the CBIRC in 2018, the Bank ended the Advanced Approach of Capital Management parallel period and expanded the application scope. As at the end of the Reporting Period, the Group's capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio were 14.83%, 12.85%, and 11.22% respectively, all of which met the regulatory requirements.

Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC

(in millions of RMB unless otherwise stated)

Item	The Group	The Bank
Net core Tier 1 Capital	689,489	606,296
Net Tier 1 capital	789,546	706,166
Net capital	911,256	822,709
Core Tier 1 capital adequacy ratio (%)	11.22	10.82
Tier 1 capital adequacy ratio (%)	12.85	12.61
Capital adequacy ratio (%)	14.83	14.69

Note:

1. Pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)*, the above calculation excluded China BoCom Insurance Co., Ltd. and BoCommLife Insurance Company Limited.
2. According to the implementation scope of the Advanced Measurement Approach of Capital Management approved by the CBIRC, the credit risk that met the regulatory requirements was assessed by the internal rating-based approach, the market risk by the internal model approach, the operational risk by the standardized approach. The credit risk not covered by the internal rating based approach was assessed by the weighted approach. The market risk not covered by the internal rating-based approach was assessed by the standardized approach. The operational risk not covered by the standardized approach was assessed by the basic-indicator approach.

6. *Leverage Ratio*

The Group calculated the leverage ratio pursuant to the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC in January 2015. As at the end of the Reporting Period, the Group's leverage ratio was 7.43%, which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Net Tier 1 Capital	789,546	771,897	713,196	715,124
Balance of adjusted on-and off-balance sheet assets	10,631,020	10,655,770	10,594,418	10,490,765
Leverage ratio (%)	7.43	7.24	6.73	6.82

7. *Other financial information*

The relevant information disclosed below is set out in accordance with the requirements of the China Securities Regulatory Commission.

(1). Fair value measurement related items

The Group established a market risk management system with the ultimate responsibility and leadership of the Board of Directors. The Group established an internal controls framework based on fair value measurement to meet the requirements of relevant internal controls and information disclosure. The Group also gradually established the systematic management of market risk by connecting all relevant front, middle and back office departments and encompassing various aspects such as fair value acquisition, measurement, monitoring and verification. The Group continued leveraging the experience from its peers and international practices to further optimize its internal controls system regarding fair value measurement. The Group primarily used quoted market prices as the fair value of financial instruments of assets and liabilities actively traded in the market. For financial instruments that are not actively traded in the market, the Group determined their fair value using valuation models and observable market parameters or comparison to third party quotes which were reviewed by the relevant risk management departments.

The table below illustrates the items of fair value measurement of the Group during the Reporting Period:

(in millions of RMB)

Item	Closing balance as at 31 December 2018	Gains/ (Losses) on changes in fair value for the year	Cumulative fair value gains/(losses) recognized in equity	Impairment losses (accrued)/ reversed for the year	Closing balance as at 31 December 2019
Financial assets					
1. Derivative financial assets	30,730	1,389	28	-	20,937
2. Financial assets at fair value through profit or loss	376,386	5,571	-	-	406,498
3. Financial investments at fair value through other comprehensive income	445,018	2,250	2,173	160	669,656
4. Loans and advances to customers at fair value through profit or loss	494	(1)	-	-	-
5. Loans and advances to customers at fair value through other comprehensive income	184,184	-	(304)	346	235,414
Financial assets subtotal	1,036,812	9,209	1,897	506	1,332,505
Investment properties	7,899	31	-	-	7,894
Total	1,044,711	9,240	1,897	506	1,340,399
Financial liabilities ^{Note}	(67,770)	(7,982)	(30)	-	(73,841)

Note: Including financial liabilities at fair value through profit or loss, derivative financial liabilities and bonds issued.

(2). *Derivative financial instruments*

(in millions of RMB)

	31 December 2019			31 December 2018		
	Nominal amount	Fair value Assets	Debts	Nominal amount	Fair value Assets	Debts
Foreign exchange and commodity contracts	2,173,598	15,784	(20,423)	2,541,252	26,441	(25,640)
Interest rate contracts and others	<u>3,826,987</u>	<u>5,153</u>	<u>(6,001)</u>	<u>831,692</u>	<u>4,289</u>	<u>(2,465)</u>
Total	<u>6,000,585</u>	<u>20,937</u>	<u>(26,424)</u>	<u>3,372,944</u>	<u>30,730</u>	<u>(28,105)</u>

(3). *Commitments and contingencies*

(in millions of RMB)

	31 December 2019	31 December 2018
Financial guarantees and credit commitments	1,472,170	1,456,218
Including: Loan commitments	55,864	58,440
Credit card commitments	736,039	759,994
Letters of credit commitments	139,948	141,137
Letters of guarantee	268,812	268,097
Acceptances bills	271,507	228,550
Operating lease commitments	Not applicable	12,345
Capital expenditure commitments	<u>60,310</u>	<u>66,968</u>

(4). *Others*

- ① Overall analysis in external equity investments. As at the end of the Reporting Period, the long term external equity investments of the Group increased by RMB0.947 billion over the end of the previous year to RMB4.600 billion.
- ② During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures.
- ③ The Group's assets pledged were mainly collateral under repurchase agreements and loans from banks and other financial institutions. Save as disclosed above, there were no other significant assets pledged to be disclosed during the Reporting Period.

(IV) Business Innovation and New Products

Established BoCom Laboratory and Set up Group's Research Platform of Innovation Incubator

The Bank established BoCom Laboratory and set up Group's research platform of innovation incubator in 2019. The laboratory was equipped with more open and flexible soft and hard ware, which provided the data, model and computing support to incubate projects of artificial intelligence, blockchain, big data and 5G. Certain research achievements demonstrated the empowerment of technology.

Artificial intelligence improved risk prevention. The Bank used the artificial intelligence technology such as the knowledge diagram and e-learning to analyze the related parties of corporate customers and to provide business insights and data analysis support for risk management. The Bank introduced the risk management model to identify the missing and potential risk of guarantees and forecast overdue loans, which increased the efficiency of process of loan pre-approval investigation, risk control analysis and management of loans approaching due dates. The knowledge diagram covered all corporate customers and their related private customers, which presented the diagram relationship between nearly a hundred of millions of entities regarding shareholdings, funds, trading and position, formed a relatively completed knowledge system and was applied to different businesses. "Application of Knowledge Diagram into Risk Management" was awarded as Fintech Innovation Extraordinary Contribution for the year 2019 by People's Bank of China *Financial Computerizing*.

Blockchain was applied to innovation projects. The Bank applied blockchain into business scenarios such as asset-backed securities, industry-chain finance, domestic letter of credit and forfaiting. This achieved traceability of business process and improved data utilization efficiency. "Lian Jiao Rong" was the first platform of blockchain asset-backed securities in the industry, which connected the assets and funds, not only provided full product cycle management functions of asset-backed securities from issuance to lifetime period, but also enabled the function of credit see-through. Nearly one hundred billion yuan were issued by 8 projects of asset-backed securities via "Lian Jiao Rong". The Group issued 4 asset-backed notes with the total amount of RMB3.1 billion. "Lian Jiao Rong" was awarded Top 10 Blockchain Innovation and Application of the year 2019 by the Bankers. In addition, the Bank actively explored the solution of cross-board trade and finance scenarios with the People's Bank of China. The Bank joined "China Trade Finance Cross-banking Transaction Blockchain Platform" of the China Banking Association and jointly finished first forfaiting asset transfer business with Industrial and Commercial Bank of China.

Relying on Labs to Practice Open Innovation. With the practice of open and innovation, the Bank cooperated with technology enterprise, universities and incubator, resulted in a research and production mechanism, which was considered as “Accelerator” for intelligent transformation of the Bank. The Bank established joint laboratory with Fudan University by connecting the advanced technology of big data and artificial intelligence into the Bank’s intelligent risk management system. The Bank also explored cooperation with third party institutes in the area of risk data application. The Bank and joint laboratory developed the talents pool of Fintech specialists. The joint laboratory of Fintech and Innovation that was set up together with Iflytech Co., Ltd. with joint team for relevant research. The team would transfer the research result into the real productive driver by applying to the scenarios later on, which created the energy for business development. The joint laboratory set up with China Unicom was to focus on 5G-related and finance research. Based on 5G, the laboratory completed the research and deployment of scenarios and applications such as big data, internet of things, long distant monitoring and mobile banking.

1. Consummated Business Innovation Mechanisms

Firstly, the Bank established the Lab of Bank of Communications, carried out incubation research in selected key topics in artificial intelligence and 5G and built new technology research-experiment-application bridges, thus enabling technological innovation to empower financial services and business management. Secondly, the Bank allocated resources in the construction and promotion stages of key innovative products and guided branches to give full play to the benefits of innovative products with full support. Thirdly, the Bank set up special fund for innovation and carried out extensive cooperation with technology companies, universities, incubators and other entities to introduce intelligence and talents, and accelerate the resolution of technical problems in FinTech. Fourthly, the Bank formulated *The Innovation Index Evaluation Method of Provincial Branches in 2019* to evaluate and announce the innovation index of each branch and to encourage the branches for constant innovation.

2. *Corporate Financial Business Innovation*

(1) *Corporate financial products*

The Bank created intelligent corporate financial products based on the financial ecological service mode covering all scenarios for “Internet + Industry + Finance”. Focusing on intelligent cash management, the Bank launched some flagship products such as BoCom Intelligent Financial Service Platform, “Delivery and Guarantee” and Global Cash Management to optimise the comprehensive solutions for banking transactions. Furthermore, focusing on intelligent industry value chain finance, the Bank placed major emphasis on the launch of flagship products such as online acceptance and rapid discount and Intelligent Automobile Finance. The Bank innovatively promoted the following functions: Online Factoring, Online Flow Loan and Online Discount, which contributed to the Bank’s online product financing system, promoted the cooperation with the supply chain platform, and realized the accounts payable splitting, transfer and financing of the core enterprises. The Bank improved intelligent service and risk identification capability relying on both big data and block chain technologies.

(2) *Online financial services*

The Bank provided customers with “Three in One” online financial service channels based on “corporate e-banking + corporate mobile banking + corporate finance WeChat official accounts”. Through synergetic innovation, the comprehensive channels of corporate online banking and corporate mobile banking from user systems to business functions opened up. The Bank provided 24/7 online support service for customers through corporate official accounts and telephone consulting service through corporate customer service team via 95559 hotline.

(3) *Inclusive finance business*

The adopted the combination of “online evaluation credit approval + offline standardization verification investigation” to develop and launch product of “Online Mortgage Loan”. As at the end of the Reporting Period, the input to online businesses totalled RMB37.865 billion. The Bank developed “Rapid Discount” function for micro bank acceptance bills to create a wholly online business processing mode, minimising the transaction time. Also, the Bank developed tripartite cooperation model, cooperated with China National Investment & Guaranty Co., Ltd. to explore “Guaranteeing upon loan”, and cooperated with leading insurance companies to explore “Premium Loans”. As at the end of the Reporting Period, the balance of businesses under cooperation with the third parties was RMB2.14 billion. Additionally, the Bank innovated the remote service model for small and micro customers, set up the outbound team based on customer’s hierarchical classification and coordinated online outbound calls and offline outlets. The total number of outbound calls for the whole year reached 0.70 million, the credit line granted was over RMB10.0 billion and credit balance exceeded RMB4.5 billion. The Bank improved the risk control mode and realised the functions of early risk identification, online digital standard approval, automatic post-loan warning and unified collection by platform relying on external big data, thus promoting the high-quality development of the Bank’s inclusive finance business.

(4) *International settlement and trade finance businesses*

The Bank actively promoted trade facilitation by connecting with the “single window”, an “one-stop” online platform for processing international transactions by the governments of Shanghai, Shenzhen and Sichuan. The Bank innovated online services based on the “single window” and launched multiple functions such as online appointment for account opening, application for financing withdrawal, foreign exchange purchasing & paying and foreign exchange receipt & settlement. As at the end of the Reporting Period, Shenzhen Branch and Shanghai Branch ranked first and third respectively in the local market in terms of the number of “single window” customers, which further improved the ability of attracting new customers and retaining customers.

(5) *Investment banking businesses*

The Bank distributed Credit Risk Mitigation Warrant (CRMW) to private enterprises so as to support their bond financing. The first acquisition project totalling over ten billion yuan led by the Bank won the Best Consortium Project Award granted by the China Banking Association. The Bank actively propelled the expansion of debt-to-equity swap and improved its quality, successfully launched debt-to-equity projects for enterprises directly under the central government, local state-owned enterprises and private enterprises, and successfully implemented the innovation project of converting debts of non-listed and non-public joint stock companies to preference shares. In addition, the Bank actively implemented the reserve requirement ratio (“RRR”) cut policy, and completed the target of RRR funds utilisation in advance and fulfilled the corresponding requirements more than expected.

(6) *Asset custody businesses*

The Bank actively studied the development trend of the industry and arranged public fund custody products in advance, such as Bond Fund Applying Amortised Cost Method, State-owned Enterprises Reform ETF Fund and MOM Fund. The Bank was one of the first-batch commercial banks to have obtained the qualification to carry out the pilot depositary business, adhering to the national strategy of capital market interconnectivity. The Bank became one of the first batch of commercial banks in China to carry out cross-border custody business for QDIE and QFLP in order to serve the strategy of Guangdong-Hong Kong-Macao Greater Bay Area.

(7) *Offshore banking business*

The Bank explored the service model for emerging industries, and the WuXi Biologics Overseas Consortium Project was awarded the first prize for developing financial services in emerging industries by the Asian Financial Cooperation Association. The Bank also established cooperation platforms with operators of Chinese banks in free trade zones in terms of interbank lending, cross-border financing and trade financing. With the help of the Group's licence resources and service network, the Bank supported the bond investment business of domestic enterprises by launching the offshore "Hong Kong Bond Connect" business, and providing the integrated services which covered USD fund allocation, Chinese-funded USD Bond custody and investment consulting.

3. *Personal Financial Business Innovation*

(1) *Personal deposit businesses.*

The Bank launched innovative products such as structural deposits ("Wen Tian Hui" and "Wen Tian Xi") linked to gold, exchange rate, and foreign currency deposits ("Hui Tian Xi"). Moreover, the Bank introduced large pension deposit certificates by hosting square dance competitions and rolled out the transfer function of individual large deposit certificates to meet the diversified deposit needs of various customers.

(2) *Personal loan businesses.*

The Bank continued to improve consumer credit product "Benefit Loan" by providing services such as revolving credit lines, supporting ETC emergency funds, and one-click application for credit lines for white-list customers, which supported consumption and loan issuance linkage. The Bank also set up high-quality enterprise database, which allowed their employees to enjoy higher loan limit. The Bank built an intelligent risk management system to ensure the use of loan in compliance with relevant requirements, promoting the healthy development of businesses. In addition, the Bank innovatively launched the personal demand financing loan "Demand Loan for Wealth" and personal pledge loan of net-value wealth management. Customers can apply these products online without submitting paper files with "quick approval and quick loan".

(3) *Wealth management businesses.*

The Bank developed fund portfolio service on mobile banking, introduced excellent fund portfolio managers, and selected fund portfolio products for clients to meet their investment needs for stable return with medium and low risks. Daily profit and loss reminder service and after-sales service were also provided according to customers' expectation for investment income.

In addition, the Bank offered innovative financial services of personal pension and launched products such as Fixed Contribution on Pension and Pension Xiaojinku by hosting square dance competitions. Relevant sales volume accumulated to RMB14.4 billion during the square dance competitions. The Bank deepened cooperation on individual pension products related to policies. As at the end of the Reporting Period, the Bank sold 32 newly authorized pension-targeted funds on a commission basis. The number of cooperated tax-deferred commercial pension insurance companies increased to 3.

(4) *Personal payment businesses.*

The Bank launched a new generation of integrated collection product "Intelligent Pay", opened online and offline payment channels and provide customers with the frequently-used QR code access to UnionPay, Alipay and WeChat. The product allowed multiple payment methods including official accounts, applets, APP payment, face scan payment, quick senseless payment, POS machine, sans contact (NFC payment) and online banking payment. Meanwhile, the Bank offered solutions by industry according to customer type and provided comprehensive financial and non-financial services for the vast number of enterprises and public institutions, individual industrial and commercial households and small and micro businesses.

The Bank also cooperated with China UnionPay and Tenpay and provided the function of payment with mobile banking by scanning QR code of WeChat. Mobile banking enjoyed a wider range of scenarios, completing payment by scanning WeChat "face-to-face QR code". Tenants could accept more payment methods without changing their QR codes.

(5) *Personal foreign exchange businesses.*

The Bank built a cross-border financial services of “Wealth Management, Payment and Settlement with Characteristic”, which focused on the scenarios such as overseas traveling, studying abroad and foreign currency. The Bank also launched the innovative services of online traveling, overseas studies consultation, visa and pre-booking fixed denomination foreign currency exchange via online and offline coordination for “One Stop” service experience.

(6) *Private banking businesses*

The Group had a research team for retail investments and setup the mechanism of investment reports and strategies, which provided the professional decision making support for customers’ asset allocation, product development and marketing strategies.

(7) *Credit card businesses*

The Bank upgraded the “Go Pay” APP, to the best of users’ benefits, which integrated and upgraded the areas including benefit club, coupon centre and activity centre to increase customer activity and loyalty. The apps had 60.77 million accumulated registered customers, ranking No. 2 among the credit card online platforms. The Bank launched certain featured products such as “MiCard” to attract the young generation, female customers and users of key cities. As at the end of the Reporting Period, the number of “MiCards” issued exceeded 0.50 million. In addition, the Bank launched the super Platinum Credit Card “World Elite” to compensate the blank area of the super high-end credit card market.

The Bank built three artificial intelligence platforms as intelligent marketing platform, Huitong and intelligent service platform, which gradually formed the marketing mode with automation and intelligence and operation model with customer-orientation. During the Reporting Period, a total of 0.62 million potential customers of “Enjoy a Good Loan” were recommended by the e-marketing channels and the marketing success rate increased by about 3 percentage points. The intelligent robot Athena was upgraded with its capabilities evolving from simple human-computer interaction to complex business marketing, and the problem solving rate by intelligence increased by 3.9 percentage points over the beginning of the year.

The Bank set up a private cloud platform for card center to streamline the set-up of the underlying environment, configuration of system functions and release of applications. The application rate of cloud technology to credit card business systems currently reached 80%, and the rate for self-developed new systems has reached 100%.

(8) *Online service*

The Bank facilitated the construction of the mobile banking of the new generation. Personal mobile banking was officially launched as new generation of mobile banking in November 2019. Its new design of “my homepage” could show individual assets, liabilities and special offers. By connecting the mobile banking with more than 20 scenarios and 1,500 service plans of water, electricity and gas payments, it met the customer one stop needs of “Finance + Life”. The number of active users continued to increase and the Bank was awarded “Best Mobile Banking” and “Best Digital and Financial Innovation” by the 15th China e-Banking anniversary. The number of daily active user (DAU) exceeded 4.00 million, which doubled that of 2018. Monthly active user (MAU) increased 36.44% over the beginning of the year. The transaction volume and amount increased 30.27% and 18.45% respectively.

The Bank initiated the model of relationship manager providing personal banking services in the homepage. As at the end of the Reporting Period, the Bank had 88 thousand employees (including credit card centre) who generated their QR codes, forming a “Never Off-line” service network. The cloud banking, which set up “Online Banking Outlet” via Wechat, promoted not only the customer acquisition and continuing services via online, but also the offline communications between managers and customers. Managers forwarded the service orders to customers’ mobile banking after the phone communications, which was innovative manner and provided convenience for customers to check and complete transactions. Customers can use mobile banking to scan code for waiting list, utilize Zhiyitong equipment and ATM services without cards, and apply for online booking and offline printing, or online order and physical delivery to home of verification letter.

The Bank realized output of financial products and services by connecting third party scenarios together with services such as bank account open, “convenient loan granting” and acceptance note. During the reporting period, over 110 API (application program interface) and H5 page outputs were completed. Cooperation intentions was agreed with top companies of over 10 industry and ISV service providers, which connected approximately 4,000 shops and the transaction amount exceeded RMB0.1 billion.

4. *Innovation of Interbank and Financial Market businesses*

(1) *Inter-bank businesses*

The Bank was the agent for the foreign currency settlement for pilot sponsors and joined bilateral net foreign currency settlement. After the introduction of multi-depositary operation by Shanghai Gold Exchange, the Bank was the first depositary bank for the settlement of the closed end deposit for corporate customers. The Bank was the first batch pilot bank of online settlement of Shenzhen Stock Exchange options. The Bank innovatively introduced housekeeper platform for financial consumption by paying and receiving on behalf of customers.

(2) *Financial market businesses*

To deepen the driving forcing of bond financing to the real economy, the Bank issued “Mid-term Bond – BoCom Selective Index of 0-5 years Yangtze River Delta Bond”. Under the new mechanism of LPR, the Bank innovated risk management products of interest rates, undertook transactions such as first LPR-linked five years’ contract, first LPR-based interest rate swap in Renminbi and first one year LPR-linked foreign currency exchange. The Bank successfully conducted the bills swap with central bank and gained more funding support from the central bank. At the first date of G10 foreign currency options initiated by interbank, the Bank was the first batch bank to reach the transactions of ordinary European options and option portfolios. Under the existing guidance of Shanghai Free Trade Zone, the Bank completed the deals of online market trading of EUR/USD forward contract and options, which enhanced the foreign currency risk hedge for the customers in Free Trade Zone.

(3) *Asset management businesses*

The Bank introduced the wealth management products such as “De Li Bao – OTO” Bond Stable 1901” and “De Li Bao – OTO” Bond Intensified 1902, which met the needs of net-worth type customers. “De Li Bao – OTO” Bond Stable 1901 was awarded “Excellence of Net-Worth Wealth Management Products of the Year” during the 10th “Gold Wealth Management” by Shanghai Securities News.

BOCOM Wealth Management Co., Ltd. actively implemented the national strategy of the Yangtze River Delta to serve regional development and provide investment benchmark. The Bank and China Securities Index Co., Ltd. jointly released “Yangtze River Delta Index by CSIndex – BoCom”, which indicated the development trend of excellent enterprises and industries of Yangtze River Delta region and provided the benchmark for those wealth funds interested in asset investment in Yangtze River Delta region. For the purpose of promotion and application of such index, the Bank also designed and issued a series of wealth management products of Yangtze River Delta region.

(4) *Precious metal businesses*

During the Reporting Period, the Bank gained the qualification as the first batch bank being the market makers of silver futures on the Shanghai Futures Exchange (one of the two commercial banks) and joiner of “Shanghai Silver” of Shanghai Gold Exchange. The Bank introduced the new businesses such as silver option inquiry of Shanghai Gold Exchange and “NYAuTN”, winning the award of “Contribution to Innovative Products of Inquiry Market” by Shanghai Gold Exchange.

(V) Risk Management

In 2019, the Group continued to improve the risk management system featured with “full coverage, differentiation, specialisation, intelligence and accountability”, and further deepened the reform of credit risk management. The Group also strengthened the control of key areas, developed innovative risk management technologies and tools, reinforced the prevention of non-compliance cases and control, and achieved solid progress in preventing and controlling financial risks. As at the end of the Reporting Period, the Bank’s major asset quality indicators continued to maintain steady. The impaired loan ratio decreased by 2 basis points over the beginning of the year, and the overdue loan structure improved.

1. Risk Appetite

The Board of Directors of the Bank established the overall risk appetite of “Stability, Balance, Compliance and Innovation” for the Bank and defined its four dimensional risk tolerance in terms of return, capital, quality and risk rating. The Board of Directors further set specific indicators of risk limits against various risks including credit, market, operation, liquidity, interest rate of banking book, information technology, country (economic entity) and reputation to regularly manage the changes of overall risk.

The Group adhered to the principal of operating in compliance with laws and regulations, and insisted on the prudent risk management. During the Reporting Period, the Group formulated the *Implementation Programme of BoCom on Striving for Forestalling and Defusing the Battle of Financial Risks*, actively served the real economy, strictly managed different risks, and comprehensively deepened the reform to ensure the bottom line of preventing the occurrence of systematic financial risks.

2. Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility, served the highest function of decision-making and monitored the Group's risk management through its Risk Management and Related Party Transaction Control Committee. The Bank's Senior Management established a "1+4+2" Risk Management Committee, where four subcommittees were established under Comprehensive Risk Management Committee, namely Credit Risk Management Committee, Market and Liquidity Risk Management Committee, Operational Risk Management Committee and Compliance (Anti-Money Laundering) Committee. Two business review committees, namely Credit and Investment Review Committee and High-risk Asset Review Committee were also established. Each provincial branch directly managed by the head office, overseas branch, subsidiary and directly operating institution correspondingly established risk management committee accordingly referring to the aforementioned framework. In addition to the plenary meeting of the Comprehensive Risk Management Committee, each provincial branch directly managed by the Head Office also set up the executive meeting of the Comprehensive Risk Management Committee, which served as the main platform for the leader and members of the team to study the prevention and control of systematic and regional risks and decision-making risks on major issues.

The Group ensured the full execution of risk management requirements through the mechanism of "Leadership and Execution, Supervision and Reporting" between Comprehensive Risk Management Committee and sub-committees and between committees of Head Office and branches, resulting in a unified and coordinated risk management.

3. Risk Management Tool

The Group laid great importance to the establishment and application of risk management tools, information systems and econometric models. Risk management was supported by FinTech. The Group actively explored the application of big data, artificial intelligence, cloud computing and graphic computing in the field of risk management, initiated the construction of the Group's risk data application in ecological system and created a unified risk monitoring system of the Group. During the Reporting Period, through innovative data mining, the ability of information consolidation was strengthened and the controls of credit risk management were enhanced. The Group enhanced monitoring of middle office over market risk, interest rate risk of banking book and liquidity risk, improved the application of operational risk management tool in business management and strengthened real time control over operating risk, fraud risk and money laundering risk through different information systems to continuously improve the effectiveness of risk management.

The Group established a complete system in implementation of Advanced Measurement Approach of Capital Management covering areas such as policy procedure building, model developing and management, data collection and standardisation, system design and implementation, business management and assessment application, independent verification and audit and professional training. With the approval from regulatory authorities, the Group adopted primary internal rating based approach for risk exposures of financial institutions and corporate business, internal rating-based approach for retail risk exposures, internal model based approach for market risk and standard approach for operational risk to measure capital requirements.

During the Reporting Period, the Group pushed forward the construction of risk measurement system, and formulated the *BoCom's Measures for Unified Management of Risk Measurement* to further strengthen the unified management of risk measurement throughout the group. The calculation system and application mechanism of risk return index were also established to balance risk return. The Group optimised the econometric models and management systems of different key risks. The Group consistently implemented operation model in monitoring and analysing, optimised the model and extensively deepened the application of risk measurement results in strategic planning, structural adjustment, business decision, performance appraisal as well as business management.

4. *Credit Risk Management*

Credit risk is one of the major risks encountered by the Group. The Group adopted stringent management on different procedures, including investment guidance, investigation and reporting, business review and approval, distribution of fund, duration management, overdue impaired loan management, all of which eliminated credit risk to an acceptable level and reached a balance between risks and returns.

Adhering to decisions and deployments of the central government and the State Council, and responding to state policies and market fluctuations, the Group issued and upgraded the outline of credit granting and risk policy and guidelines on industrial or regional investment, to implement the principle of “one policy for one bank”. The Group comprehensively fulfilled the requirements of “delegation, regulation, service” to improve the management system for financing authorisation. In addition, the Group proactively served the real economy, and optimised the credit asset structure and focused on industrial transformation and upgrading under the national strategies. The Group’s credit investment this year was in line with the major national strategies and target of serving the real economy.

The Group optimised the credit risk management, and formulated the *Notice on Comprehensive Promotion of Further Reform of Credit Authorisation* to push forward the effective implementation of various reform projects from the three dimensions of “efficiency, quality and management”, thereby optimising the credit authorisation process and significantly improving the approval efficiency. The “full coverage” management of credit risks was continuously promoted, and the capability of unified management of credit risks within the Group was enhanced.

The Group focused on key controls at the level of important areas and regions by means of total volume control, name list and quota limits. The Group adopted the risk monitoring mechanism for key customers and increased the application of monitoring results in the whole credit process. Control over key areas and sensitive industries of overcapacity, real estate, cross-border business and implicit government debts was also strengthened. Moreover, the Group intensified the regional risk control and the application of operating evaluation on system in “Five Dimension and Ten Aspects”¹ and branches.

The Group put efforts to eliminate risks, and proactively made use of different disposal and collection strategies to eliminate the current credit risks. In 2019, the total amount of disposal of non-performing loans disposed was RMB63.29 billion, including the writte-off loans amounted to RMB41.98 billion. Non-performing loans were written off in a timely manner. The application of market-oriented debt-to-equity swap successfully settled projects of large exposure risk such as Tianjin Bohai Steel and Northern Heavy Industries.

According to the regulatory requirements stated in the *Guidance for the Risk-based Loan Categorisation* issued by the CBIRC, the Group classified credit assets into five categories based on their risk level, namely pass, special mention, sub-standard, doubtful and loss. The last three categories are regarded as non-performing loans. The nature of the categories refers to the possibility of timely full repayment of the principal and interest of credit assets. In terms of corporate credit alike assets, the Bank, based on core regulatory definition, specified the risk attributes and measurements of the aforementioned five categories, with reference to internal ratings and provisions for each loan, so that the Bank could perform risk classification in a prudent manner. For retail credit alike assets (including credit cards), the Bank adopted a loan classification system, which considered both the ageing schedule of overdue loans and the guarantees.

¹ Five dimensions and ten aspects: The “Five Dimensions” refer to regional economy, real industry, financial environment, branch operation and credit management. The “Ten Aspects” refer to economic growth, government finance, transformation of growth drivers, economic and trade opening, regulatory policies, financial operation, credit allocation, asset quality, management quality and efficiency and internal and external audit.

As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB78.043 billion and the impaired loans ratio was 1.47%, representing an increase of RMB5.531 billion and a decrease of 0.02 percentage point respectively over the end of the previous year. As at the end of the Reporting Period, the breakdown of the Group's five categories of loan classification stipulated by the Chinese banking regulatory authorities were as follows:

(in millions of RMB unless otherwise stated)

Categories	31 December 2019		31 December 2018		31 December 2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	5,111,715	96.37	4,662,605	96.06	4,378,840	95.62
Special mention loan	114,517	2.16	119,111	2.45	131,910	2.88
Total performing loan balance	<u>5,226,232</u>	<u>98.53</u>	<u>4,781,716</u>	<u>98.51</u>	<u>4,510,750</u>	<u>98.50</u>
Sub-standard loan	16,963	0.32	13,711	0.28	18,723	0.41
Doubtful loan	42,508	0.80	38,456	0.79	24,865	0.54
Loss loan	18,572	0.35	20,345	0.42	24,918	0.55
Total non-performing loan balance	<u>78,043</u>	<u>1.47</u>	<u>72,512</u>	<u>1.49</u>	<u>68,506</u>	<u>1.50</u>
Total	<u>5,304,275</u>	<u>100.00</u>	<u>4,854,228</u>	<u>100.00</u>	<u>4,579,256</u>	<u>100.00</u>

– Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

Item	31 December 2019				31 December 2018			
	Loans	Proportion (%)	Non-performing loans	Impaired loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Impaired loan ratio (%)
Corporate loans	3,346,476	63.09	59,443	1.78	3,061,915	63.08	57,147	1.87
Individual loans	1,754,765	33.08	18,574	1.06	1,635,627	33.69	15,340	0.94
– Mortgage	1,135,428	21.41	4,038	0.36	1,007,528	20.75	3,863	0.38
– Credit cards	467,387	8.81	11,135	2.38	505,190	10.41	7,683	1.52
– Personal business loans	55,560	1.05	1,647	2.96	31,871	0.66	1,947	6.11
– Others	96,390	1.81	1,754	1.82	91,038	1.87	1,847	2.03
Discounted bills	203,034	3.83	26	0.01	156,686	3.23	25	0.02
Total	<u>5,304,275</u>	<u>100.00</u>	<u>78,043</u>	<u>1.47</u>	<u>4,854,228</u>	<u>100.00</u>	<u>72,512</u>	<u>1.49</u>

As at the end of the Reporting Period, the balance of corporate non-performing loan was RMB59.443 billion, and the impaired loan ratio was 1.78%, representing a decrease of 0.09 percentage point over the end of the previous year. The balance of personal non-performing loan was RMB18.574 billion, and the impaired loan ratio was 1.06%.

– Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

Item	31 December 2019				31 December 2018			
	Loans	Proportion (%)	Non-performing loan	Impaired loan ratio (%)	Loans	Proportion (%)	Non-performing loan	Impaired loan ratio (%)
Corporate loans	3,346,476	63.09	59,443	1.78	3,061,915	63.08	57,147	1.87
Transportation, storage and postal services	637,943	12.03	8,665	1.36	573,151	11.82	5,013	0.87
Manufacturing	601,143	11.33	24,711	4.11	581,412	11.98	26,642	4.58
Leasing and commercial services	508,863	9.59	2,428	0.48	413,716	8.52	1,002	0.24
Water conservancy, environmental and other public facilities	284,797	5.37	124	0.04	263,235	5.42	111	0.04
Real estate	264,495	4.99	877	0.33	216,536	4.46	1,008	0.47
Wholesale and retail trade	221,381	4.17	11,601	5.24	246,706	5.08	13,733	5.57
Production and supply of electric power, heat, gas and water	215,642	4.07	1,210	0.56	186,117	3.83	845	0.45
Construction	135,998	2.56	2,099	1.54	114,577	2.36	1,613	1.41
Mining	117,555	2.22	2,999	2.55	119,091	2.45	2,877	2.42
Financial sector	107,865	2.03	11	0.01	98,342	2.03	–	–
Education, science, culture and public health	96,875	1.83	728	0.75	89,436	1.84	392	0.44
Others	93,314	1.76	2,515	2.70	96,428	1.99	2,486	2.58
Accommodation and catering	32,259	0.61	1,051	3.26	34,486	0.71	571	1.66
Information transmission, software and information technology services	28,346	0.53	424	1.50	28,682	0.59	854	2.98
Individual loans	1,754,765	33.08	18,574	1.06	1,635,627	33.69	15,340	0.94
Discounted bills	203,034	3.83	26	0.01	156,686	3.23	25	0.02
Total	5,304,275	100.00	78,043	1.47	4,854,228	100.00	72,512	1.49

– Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	31 December 2019				31 December 2018			
	Loans	Proportion (%)	Non-	Impaired	Loans	Proportion (%)	Non-	Impaired
			performing loans	loan ratio (%)			performing loans	loan ratio (%)
Head Office	540,312	10.19	11,133	2.06	539,602	11.12	7,681	1.42
Northern China	689,601	13.00	5,506	0.80	619,891	12.77	7,734	1.25
North Eastern China	212,871	4.01	13,826	6.50	205,989	4.24	8,668	4.21
Eastern China	1,830,275	34.51	21,573	1.18	1,710,884	35.24	21,895	1.28
Central and Southern China	1,106,903	20.87	14,419	1.30	941,511	19.40	14,941	1.59
Western China	532,796	10.04	10,373	1.95	480,670	9.90	10,329	2.15
Overseas	391,517	7.38	1,213	0.31	355,681	7.33	1,264	0.36
Total loans and advances	5,304,275	100.00	78,043	1.47	4,854,228	100.00	72,512	1.49

– Distribution of overdue loans and advances by ageing

(in millions of RMB unless otherwise stated)

Overdue period	31 December 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 3 months	28,923	0.55	25,843	0.54
3 months to 1 year	28,618	0.53	32,079	0.66
1 to 3 years	23,661	0.45	21,891	0.45
Over 3 years	9,318	0.18	9,351	0.19
Total	90,520	1.71	89,164	1.84

As at the end of the Reporting Period, the balance of overdue loans was RMB90.520 billion, representing an increase of RMB1.356 billion over the end of the previous year. The overdue ratio was 1.71%, representing a decrease of 0.13 percentage point over the end of the previous year. The balance of loans overdue over 3 months was RMB61.597 billion, representing a decrease of RMB1.724 billion over the end of the previous year.

– Restructured loans

(in millions of RMB unless otherwise stated)

	31 December 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Restructured loans	7,634	0.14	9,415	0.19
Including: Restructured loans overdue over 3 months	1,949	0.04	3,617	0.07

As at the end of the Reporting Period, the breakdown of the Group's loan migration rate stipulated by the Chinese banking regulatory authorities was as follows:

Loan migration rates (%)	2019	2018	2018
Pass loan migration rate	1.71	1.85	2.09
Special mention loan migration rate	29.76	30.01	21.62
Sub-standard loan migration rate	42.76	88.62	53.59
Doubtful loan migration rate	10.92	15.36	26.86

Note: Data calculated pursuant to the *Notice on the Distribution of the Regulatory Indicator and Calculation Formula for off Field Investigation* issued by the CBIRC.

– Credit risk concentration

As at the end of the Reporting Period, the total loans of the largest single borrower of the Group accounted for 4.08% of the Group’s net capital, and the total loans of top 10 customers accounted for 17.02% of the Group’s net capital.

The following table illustrates the loans of top 10 single borrowers as at the end of the Reporting Period:

(in millions of RMB unless otherwise stated)

		31 December 2019	
	Industry	Amount	Percentage of total loans (%)
Customer A	Transportation, storage and postal services	37,160	0.70
	Production and supply of electric power, heat, gas and water		
Customer B		29,300	0.55
Customer C	Manufacturing – Electronics	15,211	0.29
Customer D	Transportation, storage and postal services	14,579	0.27
Customer E	Transportation, storage and postal services	12,302	0.23
Customer F	Transportation, storage and postal services	12,000	0.23
Customer G	Leasing and commercial services	9,850	0.19
Customer H	Transportation, storage and postal services	9,788	0.18
Customer I	Leasing and commercial services	7,600	0.14
Customer J	Transportation, storage and postal services	7,290	0.14
Total of Top 10 customers		155,080	2.92

5. **Market Risk Management**

Market risk refers to the risk of losses of on-and-off-balance sheet businesses of the Group arising from unfavourable changes in interest rate, exchange rate, commodity price and share price. Interest rate risk and exchange rate risk are the major market risks encountered by the Group.

The exchange rate risk and general interest rate risk of trading book were assessed with the use of the internal model-based approach by the Group, while the market risk not covered by the internal model based approach was assessed under the standardised approach. In terms of the internal model-based approach, historical simulation method was adopted to calculate value at risk (“**VaR**”) and stressed value at risk (“**SVaR**”), which had a historical observation period of 1 year, a holding period of 10 working days and a 99% confidence interval.

With the segregation of duties, improvement of policies and procedures, enhancement of measurement systems, monitoring and analysis of market risk management framework in a timely manner, the Group successfully prevented and managed market risk and improved market risk management. Based on the risk appetite of the Board of Directors, the Group proactively identified, measured, monitored, controlled and reported its market risk by different methods such as quota management, risk hedging and risk transfer. As a result, the Group was able to manage its market risk exposure to an acceptable level and maximize its risk-adjusted profits.

During the Reporting Period, the Group kept improving the market risk management by setting up the policies to deal with the market changes. The Group also optimized the market risk information system and continuously promoted the construction of the market risk middle-ground system. The Group established new valuation models, parameters and market data for new businesses and products. In addition, the Group closely monitored the risk management of domestic and overseas market, performed quantitative testing of market risk and analyzed the regulatory trend, feasibility and potential issues.

The Group continued to promote the application of the results derived from market risk measurement in management's practice. Daily capital transaction positions of the Group and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, the Group measured VaR on a daily basis from different perspectives, including risk factors and investment portfolios and products, using the historical simulation method. The results were also applied to capital measurement using the internal model-based approach, quota monitoring and management, performance assessment and risk monitoring and analysis. Furthermore, the Group performed reverse testing on a daily basis to verify the accuracy of the VaR model. Regular stress testing and analysis of the risk of investment portfolios under stressed scenarios were conducted. The results of 2019 showed that the market risk was reflected and analysed in a timely and objective manner via market risk measurement model.

6. *Liquidity Risk Management*

The governance structure of liquidity risk management of the Group consisted of a decision-making body comprised the Board of Directors and its subordinate Risk Management and Related Transactions Control Committee, Senior Management and its subordinate Market and Liquidity Risk Management Committee, a supervisory body comprised the Board of Supervisors and Audit Supervision Bureau and an executive body comprised Asset and Liability Management Department, Global Markets Department, Risk Management Department, Operations Management Department, branches, subsidiaries and Head Office's departments in charge of each business.

The Group's liquidity risk management goal was to establish and improve the liquidity risk management, effectively identify, measure, monitor and manage the liquidity risk at legal person level and group level, subsidiaries, branches and business lines to ensure that the liquidity needs can be timely satisfied at a reasonable cost.

The Group annually determined liquidity risk preference according to business strategies, business characteristics, financial strength, financing abilities, overall risk appetite and market influence. According to the liquidity risk appetite, the Group formulated written liquidity risk management strategies, policies and procedures. The strategies and policies of liquidity risk management covered all on- and off-balance sheet businesses, as well as all business departments, branches and subsidiaries that might have a significant impact on liquidity risk at home and abroad and included liquidity risk management under normal and stressful conditions.

During the Reporting Period, the Group attached great importance to liquidity risk management. The Group continued the consolidation and improvement of liquidity risk management in order to strengthen on- and off-balance sheet liquidity risk management. Forecasting in advance and performing cash flow calculation and analysis, the Group reinforced the coordination and integration to improve financing management and high quality liquid assets (HQLA) management, continuously monitored to ensure daytime liquidity security and liquidity limit controllable and launched regular stress testing for liquidity risk, in which the stressed scenarios were established under the consideration of the correlation between different risks and liquidity risk and the impacts of market liquidity on the Group's liquidity risk. The results of stress tests showed that liquidity risk was in a controllable range under various pressures scenarios. The Group organised emergency exercise for liquidity risk to improve the reaction speed and liquidity risk elimination ability.

During the Reporting Period, the Group implemented the *Rules on Liquidity Risk Management of Commercial Group* issued by the CBIRC. The various business of the Group were developed in a coordinative manner under a stable liquidity risk condition, with satisfactory liquidity indicators under regulatory requirements of liquidity ratio, liquidity coverage ratio and net stable funding ratio.

As the end of the Reporting Period, the table below shows the liquidity ratio indicator of the Group:

	Standard Value	31 December 2019	31 December 2018	31 December 2017
Liquidity ratio (%)	<u>≥25</u>	<u>72.92</u>	<u>68.73</u>	<u>58.86</u>

Note: Calculated according to the regulatory caliber of the CBIRC.

The liquidity coverage ratio is the ratio of HQLA to net cash outflows in the following 30 days. The aim is to ensure that commercial banks have sufficient HQLA to meet the liquidity needs of at least 30 days in the future by settling these assets under the liquidity stress scenarios subject to regulatory requirements. The Group's HQLA mainly included cash, reserves that can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of primary and secondary assets in the *Administrative Measures for Liquidity Risk Management of Commercial Banks*. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale not less than RMB200.0 billion should always meet the minimum regulatory standards with a liquidity coverage ratio not less than 100%. The daily average liquidity coverage ratio of the Group during the fourth quarter of 2019 was 120.69% (the daily average within the quarter is the arithmetic average of daily data of the quarter, the number of average of daily data is 92). The ratio decreased by 4.59 percentage points over the last quarter mainly due to increase in net cash outflows.

The net stable funding ratio is the ratio of available stable funds to the required stable funds. The aim is to ensure that commercial banks have sufficient sources of stable fund to meet the demand for stable funds from all types of assets and off-balance-sheet exposures. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale not less than RMB200.0 billion should always meet the minimum regulatory standards with a net stable funding ratio not less than 100%.The Group's net stable funding ratio for the third quarter of 2019 was 111.33%, representing a decrease of 2.07 percentage points over the previous quarter, which was mainly due to the decrease in wholesale funding. In the fourth quarter of 2019, the net stable funding ratio was 110.02%, representing a decrease of 1.31 percentage points over the previous quarter, which was mainly due to the increase of loans issued to retail and small business customers, non-financial institutions, sovereignty, central banks and public sector entities.

7. *Operational Risk Management*

The Group developed comprehensive operational risk management system dealing with the nature, scale and product complexity of the Group's businesses. The Group also standardised the procedures of operational risk controls, control assessment, lost data collection, key risk indicator monitoring and operational risk management. During the Reporting Period, the Group strengthened operational risk management, improved the operational risk management and risk assessment mechanism,, carried out operational control assessment on key processes and established an integrated business continuity management at home and abroad to extend outsourcing risk management mechanism to the whole Group.

8. *Legal Compliance and Anti-money Laundering*

The Group constantly improved legal compliance management and optimised the legal compliance management mechanism, strengthened the risk management and control of key areas, key parts and key links and provided strong legal protection for the “deepening reform, transformation and development” of the whole Group.

During the Reporting Period, the Group continuously enhanced its legal compliance management capacity, promoted the development of long-term mechanisms for overseas compliance, continuously strengthened the Group’s consolidation management of legal compliance risk, actively promoted the construction of legal compliance system and continued to strengthen the law and compliance implementation. During the Reporting Period, the Group fulfilled the risk-based anti-money laundering management requirements, improved the anti-money laundering system, reinforced the foundation of anti-money laundering management, intensified anti-money laundering (sanctions compliance) risk management and control, and advocated the establishment of anti-money laundering system.

9. *Reputation Risk Management*

The Bank established and improved the reputation risk management framework. Negative comments from various stakeholders regarding the Bank’s operation, management, any other behaviours or external events were well managed. Situations regarding reputation risk were appropriately handled.

The Bank continued to improve reputation risk management mechanism. The Bank intensified the identification, warning, assessment and monitoring of reputation risk, tracked and monitored the occurrence and changes of reputation risk factors in real time, promptly adjusted corresponding strategy and measures, and explored the quantification method of reputation risk. During the Reporting Period, negative public opinions were actively handled and reputational risk was under control. No event occurred regarding significant reputational risk. In 2019, the Bank continued to exercise the duties as the director of the 4th Session of Standing Committee of the Professional Committee on Reputation Risk Management of the China Banking Association to promote the development of reputation risk management in the banking industry.

10. Cross-Industry, Cross-Border and Country Risk Management

The Group set up the risk management system across industries and borders, characterized by “Centralised Management, Clear Task Allocation, Complete and Adequate System Tools, IT Support, Risk Quantification, and Consolidation of Substantially Controlled Entities”. With such system, the Group promoted the risk management of subsidiaries and overseas institutions with consideration of the Group’s requirements and the specific requirements from local authorities in order to prevent additional risk from operation across industries and borders.

During the Reporting Period, the Group strengthened risk management across industries and borders, carried out risk assessment of overseas banking institutions, improved assessment method and working mechanism, and continuously supervised the issue solving. The Group promoted the consolidation management, formulated the *Measures on Consolidation Management of Bank of Communications (2019)*, launched and optimised consolidation management system, provided better guidance for and imposed stringent examination over subsidiaries’ consolidation management. The Group implemented country risk management, optimised country risk limit management and control plans, regularly monitored country risk exposures and timely carried out country risk rating, assessment and reminding.

During the Reporting Period, the Group did not note any insider trading that would damage the sustainable operation in respect of regulatory arbitrage, risk transfer or transactions without genuine purposes or market-based approaches.

11. Management of Large Exposure Risk

The Group thoroughly implemented the requirements of the *Administrative Measures for the Large Exposures of Commercial Banks* issued by the CBIRC, emphasised the importance on the management of large exposure risk, actively promoted the construction of management system, and optimised management process and organisation structure. The Group differentiated the management requirements and responsibilities for large exposure of different customers. Such differentiations helped to improve the Group's ability to prevent systematic and regional risks. During the Reporting Period, the Group's large exposure risk indicators met the regulatory requirements.

(VI) Outlook

Looking forward into 2020, the international and domestic economic situation will remain complex and volatile. Despite more uncertainties ahead for global economy, the condition for high-quality economic development in China are constantly improving. With counter cyclical adjustments strengthened, China's economic growth turns to stabilise amid slowdown. The impact of the coronavirus pandemic will be under control. Overall, 2020 will see both opportunities and challenges in the banking industry.

On the one hand, commercial banks face great opportunities for transformation and development. Although the economic growth is slowing down, the quality of growth has gradually improved, witnessed by backward capacity being phased out and new growth drivers being fostered. As counter cyclical adjustments has been strengthened, the fundamentals of China's long-term economic development remain positive. At the same time, with the advancing of supply-side structural reforms in the financial sector, the banking industry itself has accelerated the pace of transformation and innovation and continued to stimulate business activities. The further promotion of national strategies in areas such as the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei region will bring new and certain opportunities in relevant regions; under the guidance of the strategy of "reinvigorating China through science and technology development", accelerated development of high and emerging technology industries such as high-end equipment and integrated circuit has brought new growth points for commercial banks.

On the other hand, the development and operations in the banking industry are met by certain challenges. There is certain downward pressure on the asset quality of commercial banks. Risks in some areas may be aggravated, especially under the impact of the coronavirus outbreak. The risk-free interest rate tends to fall, and high-quality assets are relatively scarce. Under the pressure of refinancing difficulty, the risk of corporate default may continue to increase. At the same time, due to increasing uncertainties and instabilities around the world, the volatility of international financial markets has increased, and the pandemic situation may lead to increased local credit risk. In addition, the opening-up policy of the financial sector has gradually come into effect. Driven by policies allowing foreign-funded banks to enjoy national treatment, competitions between domestic banks and foreign financial institutions will further intensify.

The Group will adhere to the general tone of seeking progress while maintaining stability, uphold the new concept of development, focus on the State's three major tasks and consistently implement the regulatory requirements. The Group will adhere to the "customer first" principle, focus on value creation, strengthen technology empowerment and group collaboration, enhance the ability of high-quality development, and continue to create values for shareholders, customers and employees. The Group will emphasize on the following areas:

Firstly, serve the real economy and achieve value growth. The Group will integrate its financial resources into strategically important areas to increase its market and brand influence in the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and the Beijing-Tianjin-Hebei region, etc. The Group will promote the organic integration of its credit policies with national industrial policies, investment policies and regional development policies, open up the investment and financing channels for small and micro customers and inclusive customers, and continue to cultivate targeted financial poverty alleviation. BoCom will accelerate the cultivation of financial supply capabilities that match the new business models and new environment.

Secondly, strictly prevent and control financial risks and succeed in the battle. The Group will strengthen comprehensive risk management system and mitigate the negative impact of the pandemic on asset quality. BoCom will deepen the reform of risk credit management, optimise risk decision-making mechanisms, credit management structures and internal control systems and mechanisms, and improve the level of big data risk control. The Group will reinforce market and liquidity risk management, strictly prevent risks of external shocks, establish a matrix and grid-based prevention of non-compliance cases and control mechanism and succeed in the battle of forestalling and defusing the financial risks.

Thirdly, create new momentum for high-quality development through technology empowerment. The Group will comply with the requirements of the digital era, seize the opportunities of distributed technology and focus on promoting architecture transformation, strengthening organisational security and deepening data governance. By establishing user thinking, product thinking and big data thinking, the Group will integrate technology elements into the entire business chain. BoCom will focus on developing new products creating value for customers and promote business process remodelling, business model innovation and business scope expansion, and make Fintech a leading role in development rather than a supporting role.

Fourthly, work collaboratively and demonstrate the characteristics of wealth management. The Group will focus on retail business transformation and drive simultaneous growth of both AUM and MAU. BoCom will implement customer life cycle management, improve the ability to work collaboratively and create values for customers, and make the concept of “one BoCom for one customer” incorporated into business strategy, reflected customer experience and realised in the Group’s value creation. The Group will make full use of competitive advantage of international business license. Based on the “Go Global” strategy of domestic high-quality enterprises, BoCom will strengthen the whole-process support to meet customers’ requirements of investment and financing in trading across borders and markets. The Group will expand integrated business to enlarge the scale of coordinated financing, continue to promote the deep integration of subsidiaries in various business sectors of the Group and continuously promote the scale and performance of asset management, trust, funds, insurance and custody business.

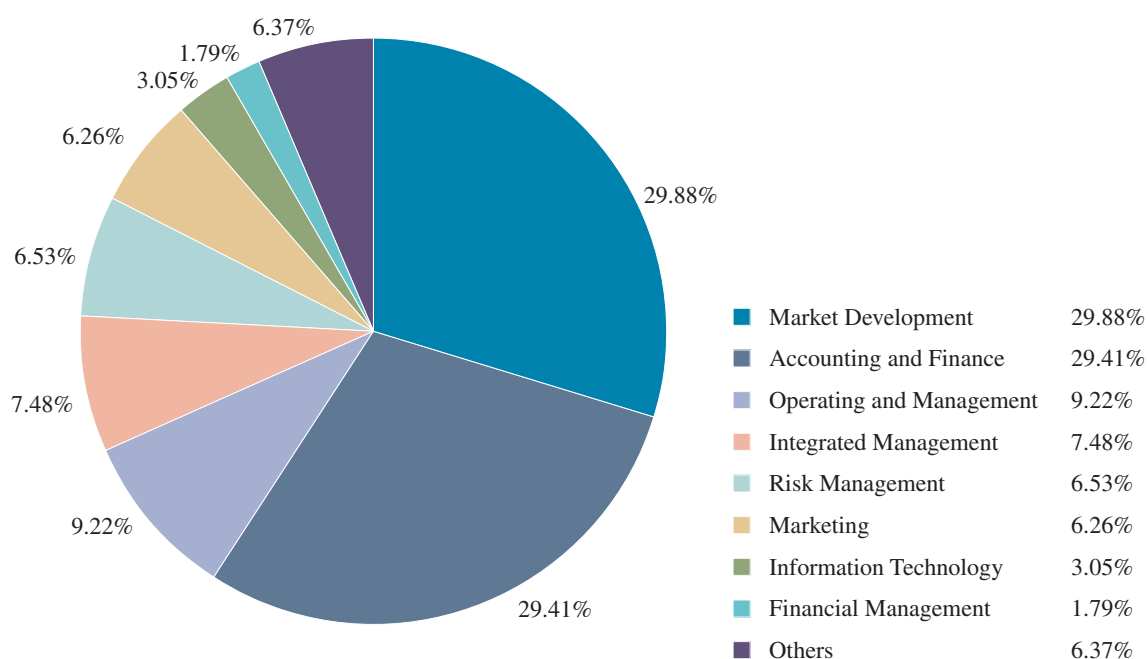
VI. OTHER INFORMATION

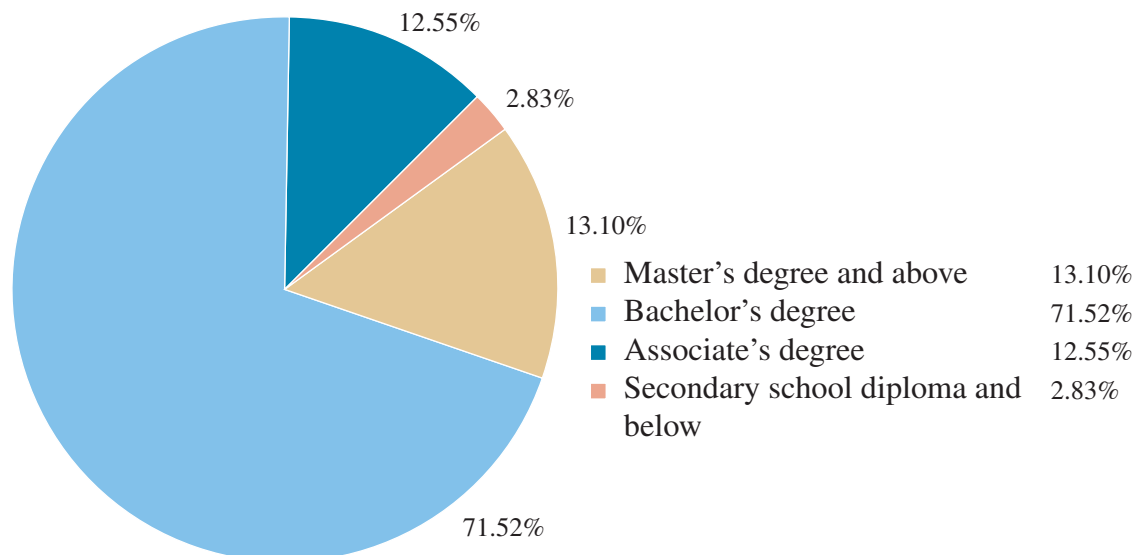
(I) Human Resource Management

1. Information of Employees and Institutions

As at the end of the Reporting Period, the Bank had a total of 87,828 domestic and overseas employees, of whom 85,324 employees were based in domestic branches and 2,504 were local employees in overseas branches. There were 3,284 employees in the Bank's major subsidiaries. For employees in domestic institutions, 30,008 employees held professional and technical qualifications, of which 543 employees held senior professional and technical qualifications, accounting for approximately 0.64%. 15,790 employees held intermediate professional and technical qualifications, accounting for approximately 18.51%. 13,675 employees held junior professional and technical qualifications, accounting for approximately 16.03%.

As at the end of the Reporting Period, the number of retired employees that the Bank had obligation to bear the cost to was 2,537.





	31 December 2019					
	Assets (in millions of RMB)	Proportion (%)	Number of institutions	Proportion (%)	Number of employees	Proportion (%)
Northern China	1,219,762	12.31	458	14.55	11,344	12.92
North Eastern China	344,260	3.48	377	11.98	8,898	10.13
Eastern China	2,814,349	28.41	1,103	35.05	33,902	38.60
Central and Southern China	1,519,238	15.34	662	21.04	18,276	20.81
Western China	708,382	7.15	478	15.19	10,018	11.41
Overseas	1,100,223	11.11	68	2.16	2,504	2.85
Head Office	4,029,099	40.67	1	0.03	2,886	3.28
Offsetted and unallocated assets	(1,829,713)	(18.47)	-	-	-	-
Total	9,905,600	100.00	3,147	100.00	87,828	100.00

Note: The number of employees in the Head Office excluded the employees in Pacific Credit Card Centre.

2. *Remuneration Policy*

Under the requirement of deepening reform by the State, the Bank actively promoted the mechanism innovation of employment, remuneration and assessment. The Group continued to optimise the remuneration management system which was “based on position and the integration of position value and performance value”. The Bank adhered to consistency of efficiency with fairness, optimised the allocation model of remuneration resources, guided and maximised value creation, and improved capabilities. Besides, the Bank insisted on the guidance of responsibility, grass-root and performance, focused on the precise motivation of key groups and stimulated innovation and vitality of grass-roots units. Based on the risk accountability system, the Bank continued to improve the deferred payment system for the performance based incentives of the employees in key positions on corporate governance and risk management for the purpose of stable operation and sustainable development. In addition to basic social pension and insurance, the Bank cared the staff and implemented the supplementary benefits such as annuity.

3. *Performance Management*

In response to the deepening reform in employment, remuneration and performance measurement and for the objectives of strategic development, the Bank further optimised the performance evaluation system and assessment procedures. The Bank focused on profit oriented performance measurement principle, enhanced synergy of performance measurement among business units, guided management departments to strengthen service support and facilitate collaboration between the Head Office and branches of the Bank. The Bank continuously promoted professional manager system, improved assessment of professional managers and emphasised on more restricted incentives for the key position staff. Based on product profitability and electronic performance measurement platform and strategy, the Bank clearly recorded and demonstrated the employees’ performance, which fully motivated the employees.

4. *Training Management*

To implement the guiding principles of the *Rules on Cadre Education and Training Work* and the *National Cadre Education and Training Plan 2018-2022* of the Central Government, the Group deepened efforts to upgrade procedures and build systems, optimise institutional mechanism and strengthen reform and innovation by focusing on the “186” strategic landscape and combining the implementation and rectification of theme education that laid emphasis on ideals, Party spirit education and capability development, and targeted at the cultivation of a high-quality professional cadre team. The Group also insisted on running classes in an open-door way, consolidated infrastructure construction, and comprehensively improved the quality of education and training, which provided strong guarantees on ideology and politics, talents and intelligence for deeper reform, transformation and development of the Bank.

The Group continued to deepen study and education of Xi Jinping Thought on Socialism with Chinese Characteristics for a new era, and vigorously improve education and training on political theory, Party spirit and expertise of cadre staff. Efforts were made to hold training sessions themed “Keeping in Mind the Party’s Founding Mission” to help the participants remain true to the original aspiration and keep the mission firmly in mind and improve the ability to serve the real economy and manage risks. Various training sessions were conducted to strengthen the development of cadres’ political abilities, including seminars for principals in charge of Bank’s institutions, Party building training for newly appointed Secretary of Party Committee in Bank’s institutions, and key task trainings for Party building work. Training classes were offered to Grade D cadres and above levels to strengthen the education on ideals, beliefs, purposes of young cadres. Sticking closely to the “186” strategic landscape, the Group conducted various professional trainings, including “Elite Plan” for outstanding integrated network leaders and pilot classes for network leaders.

The Group strengthened the overall management of education and training, and further optimised the education and training system and mechanism. The Group formulated the *Cadre Education and Training Plan of BoCom 2018-2022*, *Opinions on Education and Training Cadres and Staff of BoCom* in 2019, and *Online Education Highlights of BoCom in 2019*, and revised the *Management Measures on Education and Training of BoCom* to further step up the standardisation, institutionalisation and scientific level of education and training across the Bank.

The Group promoted the reform and innovation of education and training to achieve sustainable improvement in the scientific level of education and training. The Group facilitated the establishment of four specialised branches of Finance College of Bank of Communications, i.e., corporate, retail, interbank, and risk, in an effort to integrate training into businesses. The Group vigorously promoted education in an open-door and open-up way, and signed strategic cooperation agreements with well-known colleges and universities to complement each other’s advantages and accelerate value creation. The Group also innovated training approaches by bringing case-based, seminar-based and field-based teaching into key training programmes, and utilising technologies to advance online and offline integrated training, and to promote training quality and efficiency.

During the Reporting Period, the Bank organised cadre training for nearly 1.05 million staffs, including off-job training for over 0.34 million staffs and online training for over 0.71 million staffs. The Bank had 2,335 certified part-time trainers, over 300 core courses and over 7,800 online courses. Staff satisfaction rate of major project courses was 97.6%. The development of training system was further deepened and the capacity of teachers, courses and bases were further enhanced. The work of education and training achieved high-quality development.

5. *Talent Training and Reserve*

The Group took concrete steps to step up the construction of various talent teams. The Group issued the *Opinions on Further Strengthening the Cultivation of Fintech Talents*, and launched three major projects of “Fintech Management Trainees”, “10,000 Fintech Talent Plan” and “Empowerment Transformation of Existing Talents” to strengthen the supply-side reform of the Fintech talent team, driving the transformation and development across the Bank through technology empowerment and the integration of businesses and technologies. The Group also revised the *Administrative Measures for Grading of Experts in Bank of Communications*, which insisted on the orientation of responsibility, grass-root level and performance, and enabled a dual-way occupational development channel of expert grading and management grading, to help young talents to stand out and maintain vitality among cadre talents. Efforts were made to meet non-financing special authorisation requirements, and fulfil the requirements of “Delegation, Regulation, Service”, based on which, the Group granted provincial branches, overseas branches (sub-branches), subsidiaries, financial service centres, credit card centres, technical management departments, and other units to independently carry out expert evaluation and employment. Forty-nine operating institutions have formulated detailed rules for expert evaluation and employment, and employed over 200 experts. Nine talents were listed as leading financial talents and young financial talents of Shanghai Financial System, and one was listed as Shanghai leading talents.

The Group continuously pushed forward the building of international talent teams. Under the strategy of internationalisation and the requirements for overseas talent team building, the Group continued to enhance the team building of Grade C/B international talents and reserves by consolidating talent reserve base, optimising talent team structure. The Group continued to develop talents in areas including risk compliance, credit review, information technology and minority language which enabled us to satisfy the needs of overseas institutions for international talents of various levels and types. The Group completed the selection and training for more than 190 international talents and delivered about 90 professionals and talents with minority languages to overseas institutions from 2016 to 2019.

(II) Purchase, Sale or Repurchase of The Bank’s Listed Securities

In October 2019, the Bank fully redeemed and cancelled the U.S.\$1,200,000,000 Tier 2 Capital Bonds of 4.50% per annum due 2024 which was issued on 3 October 2014. For related details, please refer to the Bank’s publication on the website of the Shanghai Stock Exchange (www.sse.com.cn) and the HKEx News website of Hong Kong Stock Exchange (www.hkexnews.hk) on 30 August, 3 October, and 8 October, 2019. Save as disclosed above, for details of purchase, sale or repurchase of the Bank’s listed securities by the Bank and its subsidiaries during the Reporting Period, please refer to notes to the financial statements of the 2019 Annual Report of the Bank to be published on the website of the Hong Kong Stock Exchange.

(III) Compliance with *Corporate Governance Code* under the Hong Kong Listing Rules

Adhering to the goal of “Building the Best Bank for Corporate Governance”, the Bank continuously focuses on Party leadership, shareholder governance, board governance, supervisory board and senior management governance, risk internal control, connected transaction governance, market constraints, and other stakeholder governance. The Bank also improves the implementation and supervision of corporate governance decisions, and continues to explore the corporate governance mechanism of large-scale commercial banks with Chinese characteristics, including “Comprehensive Leadership of the Party Committee, Strategic Decision-making by the Board of Directors, Supervision by the Board of Supervisors, and Authorized Operation by Senior Management”. Focusing on the State’s three major tasks, which are “serving the real economy, preventing and managing financial risks, deepening financial reforms”, the Bank will unswervingly follow the new development concept, deepen the implementation of new strategic connotations, and make every effort to achieve high-quality development and continue to maintain a high level of return for shareholders and investors.

In compliance with the *Corporate Governance Code* in Appendix 14 of *The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the “**Hong Kong Listing Rules**”) the Hong Kong Listing Rules, as for Code A.2.1: according to the *Articles of Association* of the Bank, the Chairman and President shall be separated. The Chairman of the Board of Directors shall be elected by the Board of Directors with a majority of Directors. The President shall be appointed by the Board of Directors. On 9 April 2019, Mr. Peng Chun submitted a written report to the Board of Directors and resigned as Chairman of the Bank, executive director and Chairman of Strategic Committee of the Board of Directors (Inclusive Finance Development Commission) due to job arrangement of nation’s finance, which was effective from 9 April 2019. According to Article 160 of the *Articles of Association* of the Bank, Mr. Ren Deqi, Vice Chairman of the Board of Directors, would perform the duties of Chairman of the Bank and Chairman of Strategic Committee of the Board of Directors (Inclusive Finance Development Commission) on behalf, as elected by the Board of Directors, during the transitional period of Mr. Peng Chun’s resignation.

On 13 December 2019, the 6th meeting of the 9th Board of Directors of the Bank elected Mr. Ren Deqi as Chairman of the Board of Directors. On the same day, Mr. Ren Deqi submitted a written report to the Board of Directors and resigned as President of the Bank, which was effective from 13 December 2019. Mr. Ren Deqi would, on behalf, perform the duties of President until the appointment of the new President by the Board of Directors is approved by the CBIRC. On 16 January 2020, the CBIRC approved Mr. Ren Deqi’s appointment as Chairman of the Board of Directors of the Bank. From 16 January 2020, Mr. Ren Deqi has been serving as the Chairman of the Board of Directors of the Bank.

As for Code A.5.1 under the *Corporate Governance Code* in Appendix 14 of the Hong Kong Listing Rules, prior to the approval by the CBIRC of the newly designated Mr. Shi Lei as an Independent Non-executive Director of the Bank, the number of Independent Non-executive Directors in the Board of Directors' Personnel & Remuneration Committee does not account for the majority. On 15 August 2019, after the resignation of Ms. Helen Wong Pik Kuen as a Non-executive Director of the Bank and a member of the Board of Directors' Remuneration Committee, the Board of Directors' Personnel & Remuneration Committee consisted of one Non-executive Director and two Independent Non-executive Directors, which was in accordance with Rule 3.25 of the Hong Kong Listing Rules and Code A.5.1 of the *Corporate Governance Code*.

Save as disclosed above, the Board of Directors confirmed that the Bank fully complied with the principles and provisions under the *Corporate Governance Code* as set out in Appendix 14 of the Hong Kong Listing Rules, and adhered to majority of the recommended best practices as set out in the *Corporate Governance Code* during the Reporting Period.

(IV) Compliance with *Standard Code for Securities Transactions by Directors of Listed Issuers*

The Bank requires directors, supervisors and senior management to conduct securities trading activities in strict compliance with *Standard Code for Securities Transactions by Directors of Listed Companies* in Appendix 10 of Hong Kong Listing Rules. During the Reporting Period, the directors, supervisors and senior management of the Bank confirmed that their securities transactions complied with the above rules.

(V) Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held at the end of the Reporting Period (share)
Ren Deqi	Chairman of the Board of Directors and Executive Director	A share	0	0	0
		H share	100,000	0	100,000
Hou Weidong	Executive Director and Executive Vice President	A share	80,000	0	80,000
		H share	20,000	0	20,000
Wang Taiyin	Non-executive Director	A share	80,000	0	80,000
		H share	50,000	0	50,000

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held at the end of the Reporting Period (share)
Song Guobin	Non-executive Director	A share	20,000	0	20,000
		H share	0	0	0
He Zhaobin	Non-executive Director	A share	20,000	0	20,000
		H share	0	0	0
Chan Siu Chung	Non-executive Director	A share	0	0	0
		H share	49,357	0	49,357
Chen Qing	Employee Supervisor	A share	40,000	0	40,000
		H share	20,000	0	20,000
Du Yarong	Employee Supervisor	A share	60,000	0	60,000
		H share	20,000	0	20,000
Wang Xuewu	Employee Supervisor	A share	25,000	0	25,000
		H share	0	0	0
Guo Mang	Executive Vice President	A share	50,000	0	50,000
		H share	0	0	0
Gu Sheng	Secretary of the Board of Directors	A share	66,100	0	66,100
		H share	21,000	0	21,000
Xu Han	Chief Business Officer (Retail and Private Business Sector)	A share	50,000	0	50,000
		H share	30,000	0	30,000
Tu Hong	Chief Business Officer (Interbank and Market Business Sector)	A share	0	0	0
		H share	50,000	0	50,000
Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant	A share	0	0	0
		H share	30,000	0	30,000
Resigned/Retired Directors, Supervisors and Senior Management					
Peng Chun	Ex-Chairman of the Board of Directors and Ex-Executive Director	A share	250,000	0	250,000
		H share	50,000	0	50,000
Wu Wei	Ex-Executive Director, Ex-Executive Vice President and Ex-Chief Financial Officer	A share	96,000	0	96,000
		H share	20,000	0	20,000
Song Shuguang	Ex-Chairman of the Board of Supervisors	A share	130,000	0	130,000
		H share	50,000	0	50,000
Xu Ming	Ex-Employee Supervisor	A share	70,000	0	70,000
		H share	0	0	0
Fu Wanjun	Ex-Chief Business Officer (Corporate and Institutional Business Sector)	A share	71,300	(10,000)	61,300
		H share	0	0	0

Additionally, Mr. Chan Siu Chung, Director of the Bank, held 98 shares of H shares of BoCom International Holdings Company Limited. Saved as disclosed above, as at the end of Reporting Period, none of the Bank's Directors, Supervisors or Chief Executives had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the *SFO*) which were required to be filed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *SFO*, or which were required to be recorded in the register as kept pursuant to section 352 of the *SFO*, or which were required, pursuant to the *Model Code* to be filed to the Bank and the Hong Kong Stock Exchange.

(VI) Annual Profit Distribution

The Board of Directors proposed that based on the total issued ordinary shares of 74,262,726,645 shares of the Bank as at the end of 31 December 2019, a cash dividend of RMB0.315 per share (inclusive of tax) (the “**Final Dividend**”) will be distributed to the registered shareholders of A share and H share of the Bank, totaling approximate RMB23.393 billion. The proposal of the profit distribution plan is subject to the approval of the annual general meeting to be held on 30 June 2020 (the “**2019 AGM**”).

The register of members for H shares of the Bank will be closed from Saturday, 30 May 2020 to Tuesday, 30 June 2020 (both days inclusive), during which time no transfer of the H shares will be registered. Holders of the H shares intending to attend the 2019 AGM shall lodge all the transfer documents for H shares together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Bank in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 29 May 2020.

If the resolution regarding the payment of the Final Dividend is approved by the shareholders of the Bank at the 2019 AGM, it is expected to be distributed on Tuesday, 14 July 2020 to the shareholders whose names appear on the register of members of A shares of the Bank at the close of business on Monday, 13 July 2020, and on Wednesday, 5 August 2020 to the shareholders whose names appear on the register of members of H shares of the Bank on Monday, 13 July 2020.

The Register of Members will be closed from Wednesday, 8 July 2020 to Monday, 13 July 2020 (both days inclusive) during which period no transfer of H Shares will be registered. In order to be qualified to receive the Final Dividend, for holders of H Shares, all transfer documents must be lodged with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 7 July 2020.

VII. FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Interest income	367,453	348,864
Interest expense	<u>(223,370)</u>	<u>(217,956)</u>
Net interest income	144,083	130,908
Fee and commission income	47,669	44,673
Fee and commission expense	<u>(4,044)</u>	<u>(3,436)</u>
Net fee and commission income	43,625	41,237
Net gains arising from trading activities	15,936	17,099
Net gains arising from financial investments	313	290
<i>Including: Net losses on derecognition of financial assets measured at amortised cost</i>	<i>(281)</i>	<i>(132)</i>
Share of profits of associates and joint ventures	414	227
Insurance business income	11,687	7,481
Other operating income	16,799	15,813
Credit impairment losses	(51,954)	(43,454)
Other assets impairment losses	(270)	(60)
Insurance business expense	(11,432)	(6,722)
Other operating expenses	<u>(81,001)</u>	<u>(76,752)</u>
Profit before tax	88,200	86,067
Income tax	<u>(10,138)</u>	<u>(11,902)</u>
Net profit for the year	<u>78,062</u>	<u>74,165</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

Year ended 31 December

2019 2018

Other comprehensive income, net of tax

Items that may be reclassified subsequently to profit or loss:

Loans and advances to customers at fair value through other comprehensive income

<i>Amount recognised directly in equity</i>	(335)	102
<i>Amount reclassified to profit or loss</i>	(378)	–

Debt investments at fair value through other comprehensive income

<i>Amount recognised directly in equity</i>	3,715	2,086
<i>Amount reclassified to profit or loss</i>	(395)	(171)

Effective portion of gains or losses on hedging instruments in cash flow hedges

<i>Changes in fair value recorded in equity</i>	(156)	110
<i>Changes in fair value reclassified from equity to profit or loss</i>	147	(93)

Others **18** 18

Translation difference on foreign operations **1,141** 1,998

3,757 4,050

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	(560)	61
Actuarial losses on pension benefits	(20)	(25)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	<u>25</u>	<u>(14)</u>
Other comprehensive income, net of tax	<u>3,202</u>	<u>4,072</u>
Total Comprehensive income for the year	<u>81,264</u>	<u>78,237</u>
Net profit attributable to:		
Shareholders of the Bank	77,281	73,630
Non-controlling interests	<u>781</u>	<u>535</u>
	<u>78,062</u>	<u>74,165</u>
Total comprehensive income attributable to:		
Shareholders of the Bank	80,414	77,461
Non-controlling interests	<u>850</u>	<u>776</u>
	<u>81,264</u>	<u>78,237</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	<u>1.00</u>	<u>0.96</u>

Consolidated Statement of Financial Position

(All amounts expressed in millions of RMB unless otherwise stated)

	As at 31 December 2019	As at 31 December 2018
ASSETS		
Cash and balances with central banks	760,185	840,171
Due from and placements with banks and other financial institutions	648,488	848,067
Derivative financial assets	20,937	30,730
Loans and advances to customers	5,183,653	4,742,372
Financial investments at fair value through profit or loss	406,498	376,386
Financial investments at amortised cost	1,929,689	2,000,505
Financial investments at fair value through other comprehensive income	669,656	445,018
Investments in associates and joint ventures	4,600	3,653
Property and equipment	171,179	153,286
Deferred income tax assets	24,065	21,975
Other assets	86,650	69,008
	<u>9,905,600</u>	<u>9,531,171</u>
Total assets		
LIABILITIES		
Due to and placements from banks and other financial institutions	1,904,082	2,162,293
Financial liabilities at fair value through profit or loss	26,980	23,109
Derivative financial liabilities	26,424	28,105
Due to customers	6,072,908	5,793,324
Certificates of deposits issued	498,991	366,753
Current income tax liabilities	7,086	2,279
Deferred income tax liabilities	918	598
Debt securities issued	403,918	317,688
Other liabilities	163,381	131,714
	<u>9,104,688</u>	<u>8,825,863</u>
Total liabilities		

Consolidated Statement of Financial Position (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	As at 31 December 2019	As at 31 December 2018
EQUITY		
Share capital	74,263	74,263
Other equity instruments	99,870	59,876
<i>Including: Preference shares</i>	59,876	59,876
<i>Perpetual bonds</i>	39,994	–
Capital surplus	113,663	113,663
Other reserves	328,310	321,442
Retained earnings	<u>177,141</u>	<u>129,161</u>
Equity attributable to shareholders of the Bank	793,247	698,405
Non-controlling interests	<u>7,665</u>	<u>6,903</u>
Total equity	<u>800,912</u>	<u>705,308</u>
Total equity and liabilities	<u><u>9,905,600</u></u>	<u><u>9,531,171</u></u>

Consolidated Statement of Changes in Equity

(All amounts expressed in millions of RMB unless otherwise stated)

	Other reserves														Retained earnings	Attributable to the shareholders of the Bank	Non-controlling interests	Total
	Share capital	Preference shares	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation reserve on foreign operations	Actuarial changes reserve	Others					
As at 31 December 2018	74,263	59,876	-	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	129,161	698,405	6,903	705,308	
Impact of adoption of IFRS 16	-	-	-	-	-	-	-	-	-	-	-	-	-	(616)	(616)	(7)	(623)	
As at 1 January 2019 (restated)	74,263	59,876	-	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	128,545	697,789	6,896	704,685	
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	77,281	77,281	781	78,062	
Other comprehensive income	-	-	-	-	-	-	-	2,013	25	(9)	1,106	(20)	18	-	3,133	69	3,202	
Total comprehensive income	-	-	-	-	-	-	-	2,013	25	(9)	1,106	(20)	18	77,281	80,414	850	81,264	
Capital contribution by other equity instruments holders	-	-	39,994	-	-	-	-	-	-	-	-	-	-	-	39,994	-	39,994	
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,279)	(22,279)	(81)	(22,360)	
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,671)	(2,671)	-	(2,671)	
Transfer to reserves	-	-	-	-	381	57	3,286	-	-	-	-	-	-	(3,724)	-	-	-	
Transferred from other comprehensive income	-	-	-	-	-	-	-	11	-	-	-	-	-	(11)	-	-	-	
As at 31 December 2019	74,263	59,876	39,994	113,663	64,897	139,853	117,567	3,421	5	15	1,199	(10)	1,363	177,141	793,247	7,665	800,912	
As at 31 December 2017	74,263	59,876	-	113,663	57,461	139,767	104,470	(2,365)	Not applicable	7	(1,875)	35	1,327	124,514	671,143	5,128	676,271	
Impact of adoption of IFRS 9	-	-	-	-	-	-	-	1,891	(6)	-	-	-	-	(28,257)	(26,372)	(54)	(26,426)	
As at 1 January 2018 (restated)	74,263	59,876	-	113,663	57,461	139,767	104,470	(474)	(6)	7	(1,875)	35	1,327	96,257	644,771	5,074	649,845	
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	73,630	73,630	535	74,165	
Other comprehensive income	-	-	-	-	-	-	-	1,867	(14)	17	1,968	(25)	18	-	3,831	241	4,072	
Total comprehensive income	-	-	-	-	-	-	-	1,867	(14)	17	1,968	(25)	18	73,630	77,461	776	78,237	
Capital contribution by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,125	1,125	
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,209)	(21,209)	(72)	(21,281)	
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,618)	(2,618)	-	(2,618)	
Transfer to reserves	-	-	-	-	7,055	29	9,811	-	-	-	-	-	-	(16,895)	-	-	-	
Transferred from other comprehensive income	-	-	-	-	-	-	-	4	-	-	-	-	-	(4)	-	-	-	
As at 31 December 2018	74,263	59,876	-	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	129,161	698,405	6,903	705,308	

Consolidated Statement of Cash Flows

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Cash flows from operating activities:		
Net profit before tax:	88,200	86,067
Adjustments for:		
Provision for impairment losses	51,954	43,454
Provision for other assets impairment losses	270	60
Provision for insurance contracts reserve	9,115	1,393
Depreciation and amortisation	13,982	10,250
Provision for outstanding litigation and unsettled obligation	50	549
Net gains on the disposal of property, equipment and other assets	(287)	(15)
Interest income from financial investments	(88,647)	(85,449)
Unwind of discount on allowances during the year	(1,467)	(1,618)
Fair value losses/(gains)	1,027	(6,527)
Share of profit of associates and joint venture	(414)	(227)
Net gains arising from financial investments	(313)	(290)
Interest expense on debt securities issued	11,519	11,992
	<hr/>	<hr/>
Operating cash flows before movements in operating assets and liabilities	84,989	59,639
	<hr/>	<hr/>
Net decrease in balances with central banks	41,487	106,039
Net decrease/(increase) in due from and placements with banks and other financial institutions	160,720	(52,257)
Net increase in financial assets at fair value through profit or loss	(24,219)	(88,330)
Net increase in loans and advances to customers	(491,230)	(326,960)
Net decrease/(increase) in other assets	(27,120)	4,266
Net increase/(decrease) in due to and placements from banks and other financial institutions	(239,042)	23,496
Net increase/(decrease) in financial liabilities at fair value through profit or loss	3,491	(5,013)

Consolidated Statement of Cash Flows (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Net increase in due to customers	414,859	393,174
Net increase in other liabilities	2,220	23,415
Net increase in value-added tax and surcharge payable	21	576
Income tax paid	(8,721)	(14,153)
Net cash flows generated from/(used in) operating activities	<u>(82,545)</u>	<u>123,892</u>
Cash flows from investing activities:		
Purchase of financial investments	(705,173)	(694,169)
Disposal or redemption of financial investments	565,819	542,954
Dividends received	537	379
Interest received from financial investments	86,428	81,294
Acquisition of intangible assets and other assets	(1,822)	(694)
Disposal of intangible assets and other assets	350	124
Purchase and construction of property and equipment	(30,554)	(30,649)
Disposal of property and equipment	2,607	621
Net cash flows used in investing activities	<u>(81,808)</u>	<u>(100,140)</u>
Cash flows from financing activities:		
Cash received from issuing other equity instruments	39,994	–
Cash received on debt securities issued	168,271	41,846
Capital contribution by non-controlling interests	–	1,125
Repayment of principals and interests of lease liabilities	(2,652)	Not applicable
Repayment of principals of debt securities issued	(84,176)	(20,332)
Cash payments for interest on debt securities	(9,688)	(12,191)

Consolidated Statement of Cash Flows (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2019	2018
Cash payments for distribution of dividends	(24,940)	(23,852)
Dividends paid to non-controlling interests	(81)	(72)
Net cash flows generated from/(used in) financing activities	<u>86,728</u>	<u>(13,476)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,868</u>	<u>4,297</u>
Net increase/(decrease) in cash and cash equivalents	(75,757)	14,573
Cash and cash equivalents at the beginning of the year	<u>243,492</u>	<u>228,919</u>
Cash and cash equivalents at the end of the year	<u>167,735</u>	<u>243,492</u>
Net cash flows from operating activities include:		
Interest received	283,899	281,793
Interest paid	<u>(233,397)</u>	<u>(193,279)</u>

1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with all the applicable International Financial Reporting Standards (“IFRSs”) and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

1.1 Application of new and revised IFRSs

(a) New and revised IFRSs issued and applied

In the current year, the Group has adopted the following amendments to IFRSs, which were applicable for the Group’s financial year beginning on 1 January 2019 and the relevant impact is set out below:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRSs 2015 – 2017 cycle
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
IFRIC 23	Uncertainty over Income Tax

IFRS 16 Leases

IFRS 16 was officially issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. The new standard improves the identification, breakdown and merge of leases and requires lessees to recognise leases in balance sheet. For lessees, substantially all the leases should be recognised in balance sheet as the classification of operating leases and financial leases has been removed. Under new standard, the entity is required to recognise the right-of-use assets and leasing liabilities. Exemptions exist only for short-term and low-value leases. Meanwhile, the new standard also improves the accounting treatments of the lessee on subsequent measurement and leasing changes. The new standard causes no substantial changes to the accounting of lessors.

The Group adopted the standard on 1 January 2019 and did not restate the comparative information of the year before first adoption using simplified transitional approach permitted under the standard. At the date of initial application, the leasing liabilities were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate, and the right-of-use assets of remaining leases were measured as if the new standard had always been applied since the beginning of the lease period. For short-term and low-value leases, the Group is subject to exemptions.

The major impact of adopting IFRS 16 on the financial statements is as follows:

Consolidated balance sheet:

	<i>(In millions of RMB)</i>		
As at 1 January 2019	Before restatement	Restated amount	After restatement
Other assets	69,008	6,423	75,431
Other liabilities	131,714	7,046	138,760
<i>Including: lease liabilities</i>	<i>Not applicable</i>	<i>7,044</i>	<i>7,044</i>
Retained earnings	129,161	(616)	128,545
Non-controlling interests	6,903	(7)	6,896

As at 1 January 2019, reconciliation from operating lease commitments under the former standards to lease liabilities under IFRS 16 is as below:

(In millions of RMB)

The Group

Operating lease commitments disclosed as at 31 December 2018	12,345
Discounted using the lessee's incremental borrowing rate of the date of initial application	7,674
Less: short-term and low-value leases not recognised as a liability	<u>(630)</u>
Lease liability recognised as at 1 January 2019	<u><u>7,044</u></u>

Amendments to IFRS 9

On 12 October 2017, the IASB issued amendments to IFRS 9 – Prepayment Features with Negative Compensation and Modifications of Financial Liabilities. These amendments permit more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. These amendments also clarify the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the de-recognition of the financial liability.

Amendments to IAS 28

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The Annual Improvements to IFRS Standards 2015 – 2017 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 11 – Joint Arrangements, the amendments to IAS 12 – Income Taxes, the amendments to IAS 23 – Borrowing Costs.

Amendments to IAS 19

On 7 February 2018, the IASB issued amendments to the guidance in IAS 19 – Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change, and any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling. The entities should separately recognise any changes in the asset ceiling through other comprehensive income.

Interpretation 23 Uncertainty over Income Tax Treatments

The IASB issued IFRIC 23 – Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

Except the above-mentioned impacts of IFRS 16, the adoption of the new IFRSs and amendments to IFRSs above does not have a material impact on the Group's operating results, financial position or other comprehensive income.

(b) *New and revised IFRSs issued but not yet effective*

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

		Effective for annual period commencing on or after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021 (likely to be extended to 1 January 2023)
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 January 2020

Amendments to IFRS 10 and IAS 28

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

IFRS 17

IFRS 17 Insurance Contracts was issued in May 2017 as replacement for IFRS 4. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: discounted probability weighted cash flows, an explicit risk adjustment, and a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021. However, the IASB decided to defer the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023 on 17 March 2020, and expects to issue the amendments to IFRS 17 in the second quarter of 2020.

The Group has not completed its assessment of the impact on the Group’s operating results and financial position of adopting IFRS 17.

Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB has published Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform as a first reaction to the potential effects the Interest Rate Benchmark Reform (“IBOR”) could have on financial reporting. The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. Key changes include:

- modifying specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
- requiring specific disclosures about the extent to which the entities’ hedging relationships are affected by the amendments.

Except for the above-mentioned impact of IFRS 17, the adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

2 Net Interest Income

	<i>(In millions of RMB)</i>	
	Year ended 31 December	
	2019	2018
Interest income		
Loans and advances to customers	242,948	225,422
Financial investments	88,647	85,449
Due from and placements with banks and other financial institutions	24,167	24,945
Balances with central banks	11,691	13,048
	<u>367,453</u>	<u>348,864</u>
Interest expense		
Due to customers	(139,153)	(128,589)
Due to and placements from banks and other financial institutions	(57,650)	(66,788)
Certificates of deposit issued	(15,048)	(11,344)
Debt securities issued	(11,519)	(11,235)
	<u>(223,370)</u>	<u>(217,956)</u>
Net interest income	<u>144,083</u>	<u>130,908</u>
Including:		
Interest income on impaired financial assets	<u>1,467</u>	<u>1,618</u>

4 Credit Impairment Losses/Other Assets Impairment Losses

(In millions of RMB)

Credit impairment losses:	Year ended 31 December	
	2019	2018
Due from and placements with banks and other financial institutions	(731)	(43)
Loans and advances to customers at amortised cost	49,427	42,813
Loans and advances to customers at FVOCI	(346)	(317)
Off-balance sheet businesses	1,434	(1,142)
Financial investments at amortised cost	(120)	(362)
Debt investments at FVOCI	(160)	265
Other receivables	1,610	1,075
Accrued interest of loans and advances to customers at amortised cost	322	1,127
Others	518	38
	<u>51,954</u>	<u>43,454</u>
Other assets impairment losses:	Year ended 31 December	
	2019	2018
Impairment losses on property and equipment	233	33
Impairment losses on foreclosed assets	37	27
	<u>270</u>	<u>60</u>

5 Income Tax

	<i>(In millions of RMB)</i>	
	Year ended 31 December	
	2019	2018
Current income tax		
– Mainland China enterprise income tax	11,789	6,838
– Hong Kong profits tax	1,059	1,058
– Income tax arising in Macao, Taiwan and other countries or regions	680	593
	13,528	8,489
Deferred income tax	(3,390)	3,413
	10,138	11,902

The provision for enterprise income tax in Mainland China is calculated based on the statutory rate of 25% (2018: 25%) of the assessable income of the Bank and each of the subsidiaries established in Mainland China. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the differential in tax rates of overseas branches as compared with the Mainland China tax rate shall be reported and paid by the Mainland China head office.

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Group at 25% (2018: 25%). The major reconciliation items are as follows:

	Year ended 31 December	
	2019	2018
Profit before tax	88,200	86,067
Tax calculated at a tax rate of 25%	22,050	21,517
Effect of different tax rates in Hong Kong, Macao and Taiwan and other countries (or regions)	(206)	(33)
Tax effect of expense not deductible for tax purposes	3,094	3,589
Tax effect arising from income not subject to tax ⁽¹⁾	(15,231)	(12,395)
Income tax adjustment for prior years	431	(776)
Income tax expense	10,138	11,902

⁽¹⁾ The income not subject to tax is mainly comprised of fund investment income and interest income generated from PRC treasury bonds and municipal government bonds.

6 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	<i>(In millions of RMB)</i>	
	Year ended 31 December	
	2019	2018
Net profit attributable to shareholders of the Bank	77,281	73,630
Less: Net profit attributable to preference shareholders of the Bank	(2,671)	(2,618)
Net profit attributable to ordinary shareholders of the Bank	74,610	71,012
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the year	74,263	74,263
Basic and diluted earnings per share (expressed in RMB per share)	1.00	0.96

The Bank issued non-cumulative preference shares on 29 July 2015 and 2 September 2016. For the purpose of calculating basic earnings per share, a cash dividend of RMB2,671 million on non-cumulative preference shares declared for the period was deducted from the amounts attributable to ordinary shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The Bank issued non-cumulative perpetual bonds on 18 September 2019. For the purpose of calculating basic earnings per share, distributions on non-cumulative perpetual bonds declared in respect of the period should be deducted from the amounts attributable to shareholders of the Bank. The Bank has not declared any distributions on perpetual bonds for the year ended 31 December 2019.

7 Derivative Financial Instruments

The following derivative instruments are utilised by the Group for trading or hedging purposes:

Currency and commodity forwards are contracts between two parties to buy or sell certain currencies or commodities at a specified future date at a predetermined price. The party agreeing to buy the underlying currency or commodities in the future assumes a long position, and the party agreeing to sell the currency or commodities in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency, commodity and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, commodities or interest rates (for example, fixed rate for floating rate) or a combination of these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency, commodity and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) on or before a set date or during a set period, a specific amount of a currency or commodity at a predetermined price or to receive an interest payment based on a variable interest rate and pay at a fixed interest rate or vice versa. The seller receives a premium from the purchaser in consideration for assuming foreign exchange, interest rate risk or commodity price fluctuations. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments may become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or commodity price relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

		<i>(In millions of RMB)</i>	
	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2019			
Foreign exchange and commodity contracts	2,173,598	15,784	(20,423)
Interest rate contracts and others	<u>3,826,987</u>	<u>5,153</u>	<u>(6,001)</u>
Total amount of derivative instruments recognised	<u><u>6,000,585</u></u>	<u><u>20,937</u></u>	<u><u>(26,424)</u></u>

(In millions of RMB)

	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2018			
Foreign exchange and commodity contracts	2,541,252	26,441	(25,640)
Interest rate contracts and others	<u>831,692</u>	<u>4,289</u>	<u>(2,465)</u>
Total amount of derivative instruments recognised	<u><u>3,372,944</u></u>	<u><u>30,730</u></u>	<u><u>(28,105)</u></u>

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at year end. These instruments, comprising foreign exchange, interest rate and commodity derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange, interest rate and commodity price fluctuation risks.

The Group undertakes its transactions in foreign exchange, interest rates and commodity contracts with other financial institutions and customers. Management has established limits for these contracts based on counterparty types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	As at 31 December 2019	As at 31 December 2018
RMB	4,442,337	1,785,452
USD	1,209,161	1,384,347
HKD	204,007	129,328
Others	<u>145,080</u>	<u>73,817</u>
Total	<u><u>6,000,585</u></u>	<u><u>3,372,944</u></u>

Hedge accounting

The above derivative financial instruments include those designated as hedging instruments by the Group as follows:

		<i>(In millions of RMB)</i>	
	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2019			
Derivative financial instruments designated as hedging instruments in fair value hedges	121,791	295	(1,794)
Derivative financial instruments designated as hedging instruments in cash flow hedges	29,379	130	(168)
Total	151,170	425	(1,962)
	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2018			
Derivative financial instruments designated as hedging instruments in fair value hedges	71,133	1,122	(353)
Derivative financial instruments designated as hedging instruments in cash flow hedges	26,935	479	(201)
Total	98,068	1,601	(554)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective. The hedged items include due from and placements with banks and other financial institutions, debt investments at FVOCI, due to and placements from banks and other financial institutions, loans and advances to customers and certificates of deposits issued.

The following table shows the profit or loss effects of the fair value hedges:

	<i>(In millions of RMB)</i>	
	Year ended 31 December	
	2019	2018
Net gains/(losses) from fair value hedges:		
Hedging instruments	(2,504)	(28)
Hedged items attributable to the hedged risk	<u>2,250</u>	<u>(81)</u>
Total	<u>(254)</u>	<u>(109)</u>

(b) Cash flow hedge

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks, and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include debt investments at FVOCI, due from and placements with banks and other financial institutions, loans and advances to customers, due to and placements from banks and other financial institutions and certificates of deposits issued. The Group mainly uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective.

The Group's loss from the hedging instruments of RMB210 million (31 December 2018: profit of RMB147 million) was recognised in other comprehensive income and the gains or losses arising from the ineffective portion of cash flow hedge was immaterial for the year ended 31 December 2019. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

8 Dividends

	<i>(In millions of RMB)</i>	
	Year ended 31 December	
	2019	2018
Dividends to ordinary shareholders of the Bank	22,279	21,209
Dividends to preference shareholders of the Bank	<u>2,671</u>	<u>2,618</u>

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;
- (2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;
- (3) Allocations to statutory general reserve;
- (4) Allocations to the discretionary reserve upon approval by the Annual General Meeting. These funds form part of the shareholders' equity.

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Annual General Meeting of Shareholders on 21 June 2019, the Bank appropriated RMB2,738 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.30 (before tax) for each ordinary share, with total amount of RMB22,279 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2018, would be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 29 April 2019, the Bank appropriated overseas preference dividends on 29 July 2019 with a dividend yield of 5% (the actual dividend yield obtained by the preference shareholders) with total amount of USD136 million. Since 7 September 2019 is not a working day, the dividend payment day defers to 9 September 2019. The Bank will appropriate domestic preference dividends on 9 September 2019 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

On 27 March 2020, the Board of Directors of the Bank proposed to appropriate RMB7,075 million to the statutory reserve and RMB4,454 million to the statutory general reserve. A cash dividend of RMB0.315 (before tax) for each share, totalling RMB23,393 million, calculated based on the total number of shares outstanding of 74,263 million shares (RMB1 per share) as at 31 December 2019 was also proposed. The proposal will be subject to the approval by the Shareholders' Meeting of the Bank.

9 Financial Guarantees and Credit-Related Commitments, Other Commitments and Contingent Liabilities

Financial guarantees and credit-related commitments

The following tables provide the contractual amounts of the Group's financial guarantees and credit-related commitments which the Group has committed to its customers:

	<i>(In millions of RMB)</i>	
	As at 31 December 2019	As at 31 December 2018
Letters of guarantee	268,812	268,097
Letters of credit commitments	139,948	141,137
Acceptance bills	271,507	228,550
Credit card commitments	736,039	759,994
Loan commitments		
– Under 1 year	20,459	12,709
– 1 year and above	35,405	45,731
	<u>1,472,170</u>	<u>1,456,218</u>

Capital expenditure commitments

	As at 31 December 2019	As at 31 December 2018
Contracted but not provided for	<u>60,310</u>	<u>66,968</u>

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on buildings and equipment under non-cancellable operating leases are as follows:

	<i>(In millions of RMB)</i>
	As at 31 December 2018
Within 1 year (inclusive)	3,918
Beyond 1 year but no more than 2 years (inclusive)	2,772
Beyond 2 years but no more than 3 years (inclusive)	1,908
Beyond 3 years but no more than 5 years (inclusive)	2,215
More than 5 years	<u>1,532</u>
	<u><u>12,345</u></u>

The Group acts as lessor in operating leases principally through aircraft and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under irrevocable operating leases are as follows:

	As at 31 December 2019	As at 31 December 2018
Within 1 year (inclusive)	13,496	11,204
Beyond 1 year but no more than 2 years (inclusive)	12,818	11,045
Beyond 2 years but no more than 3 years (inclusive)	12,176	10,768
Beyond 3 years but no more than 5 years (inclusive)	22,920	20,983
More than 5 years	<u>42,024</u>	<u>59,827</u>
	<u><u>103,434</u></u>	<u><u>113,827</u></u>

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('MOF') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 31 December 2019, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB83,777 million (31 December 2018: RMB74,423 million). The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

The original maturities of these bonds vary from 1 to 5 years.

As at 31 December 2019, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2018: Nil).

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (defendant) by a number of third parties at the end of the year are summarised as follows:

	<i>(In millions of RMB)</i>	
	As at	As at
	31 December	31 December
	2019	2018
Outstanding litigations	5,011	3,242
Provision for outstanding litigation	1,029	982

10 Segmental Analysis

The Group's senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The reportable operating segments derive their revenue primarily from the commercial banking services provided to customers and investing activities, including deposits/loans, bills, trade finance, money market placements and takings and securities investments. The operating segments are:

- (1) Northern China – including Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region;
- (2) North Eastern China – including Liaoning Province, Jilin Province and Heilongjiang Province;
- (3) Eastern China – including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province;
- (4) Central and Southern China – including Henan Province, Hunan Province, Hubei Province, Guangdong Province, Hainan Province and Guangxi Zhuang Autonomous Region;
- (5) Western China – including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Uyghur Autonomous Region;
- (6) Head Office;
- (7) Overseas – including overseas subsidiaries and the following branches: Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macao, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Toronto, Melbourne, Prague and other overseas affiliates.

There were no changes in the reportable segments during the year.

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived by interest and the senior management relies primarily on net interest income to assess the performance of the segment, the total interest income and expenses for all reportable segments will be presented on a net basis.

The basis on which the Group's senior management reviews the segment performance is profit before tax. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expenses between the segments.

Operating segment information

(In millions of RMB)

	Year ended 31 December 2019							Total
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	
External interest income	29,574	8,829	85,922	50,550	24,236	33,580	134,762	367,453
External interest expense	(29,487)	(8,710)	(58,943)	(33,277)	(15,036)	(24,203)	(53,714)	(223,370)
Inter-segment net interest income/(expense)	17,180	4,799	23,936	15,543	5,724	(370)	(66,812)	-
Net interest income	17,267	4,918	50,915	32,816	14,924	9,007	14,236	144,083
Fee and commission income	4,652	1,531	13,610	8,480	3,365	3,166	12,865	47,669
Fee and commission expense	(37)	(16)	(1,366)	(93)	(31)	(328)	(2,173)	(4,044)
Net fee and commission income	4,615	1,515	12,244	8,387	3,334	2,838	10,692	43,625
Net gains arising from trading activities	344	50	2,295	537	84	341	12,285	15,936
Net gains/(losses) arising from financial investments	-	-	114	-	-	487	(288)	313
Insurance business income	-	-	11,647	-	-	40	-	11,687
Share of profits of associates and joint ventures	-	-	-	-	-	134	280	414
Other operating income	839	168	12,900	533	583	1,711	65	16,799
Total operating income - net	23,065	6,651	90,115	42,273	18,925	14,558	37,270	232,857
Credit impairment losses	(2,034)	(4,882)	(16,255)	(6,268)	(3,591)	(86)	(18,838)	(51,954)
Other assets impairment losses	-	1	(230)	(10)	(15)	(16)	-	(270)
Insurance business expense	-	-	(11,424)	-	-	(8)	-	(11,432)
Other operating expense	(7,400)	(3,298)	(28,719)	(11,441)	(5,967)	(5,516)	(18,660)	(81,001)
Profit before tax	13,631	(1,528)	33,487	24,554	9,352	8,932	(228)	88,200
Income tax								(10,138)
Net profit for the year								78,062
Depreciation and amortisation	(1,101)	(430)	(2,326)	(1,626)	(882)	(608)	(1,132)	(8,105)
Capital expenditure	(356)	(227)	(29,403)	(917)	(382)	(281)	(810)	(32,376)

(In millions of RMB)

	Year ended 31 December 2018							
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Total
External interest income	28,500	9,630	78,890	43,787	21,811	29,276	136,970	348,864
External interest expense	(30,461)	(8,934)	(58,022)	(32,062)	(14,467)	(21,499)	(52,511)	(217,956)
Inter-segment net interest income/(expense)	18,118	4,570	23,219	18,182	6,288	(426)	(69,951)	-
Net interest income	16,157	5,266	44,087	29,907	13,632	7,351	14,508	130,908
Fee and commission income	4,342	1,623	13,606	8,160	3,221	3,350	10,371	44,673
Fee and commission expense	(226)	(53)	(1,508)	(285)	(153)	(351)	(860)	(3,436)
Net fee and commission income	4,116	1,570	12,098	7,875	3,068	2,999	9,511	41,237
Net gains arising from trading activities	326	74	1,310	455	154	1,094	13,686	17,099
Net gains/(losses) arising from financial investments	-	-	149	-	-	282	(141)	290
Insurance business income	-	-	7,446	-	-	35	-	7,481
Share of profits of associates and joint ventures	-	-	-	-	-	13	214	227
Other operating income	1,166	218	10,412	804	591	1,511	1,111	15,813
Total operating income - net	21,765	7,128	75,502	39,041	17,445	13,285	38,889	213,055
Credit impairment losses	(2,395)	(7,716)	(10,425)	(5,516)	(4,855)	(399)	(12,148)	(43,454)
Other assets impairment losses	-	-	(27)	(24)	-	(9)	-	(60)
Insurance business expense	-	-	(6,712)	-	-	(10)	-	(6,722)
Other operating expense	(7,234)	(3,321)	(25,618)	(11,252)	(5,980)	(4,968)	(18,379)	(76,752)
Profit before tax	12,136	(3,909)	32,720	22,249	6,610	7,899	8,362	86,067
Income tax								(11,902)
Net profit for the year								74,165
Depreciation and amortisation	(734)	(335)	(1,683)	(1,052)	(611)	(235)	(1,027)	(5,677)
Capital expenditure	(361)	(170)	(27,597)	(974)	(665)	(780)	(798)	(31,345)

(In millions of RMB)

As at 31 December 2019

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	<u>1,219,762</u>	<u>344,260</u>	<u>2,814,349</u>	<u>1,519,238</u>	<u>708,382</u>	<u>1,100,223</u>	<u>4,029,099</u>	<u>(1,853,778)</u>	<u>9,881,535</u>
Including:									
<i>Investments in associates and joint ventures</i>	-	-	4	6	-	431	4,159	-	4,600
Unallocated assets									<u>24,065</u>
Total assets									<u>9,905,600</u>
Segment liabilities	<u>(1,202,152)</u>	<u>(346,410)</u>	<u>(2,648,846)</u>	<u>(1,483,516)</u>	<u>(697,188)</u>	<u>(1,067,197)</u>	<u>(3,512,239)</u>	<u>1,853,778</u>	<u>(9,103,770)</u>
Unallocated liabilities									<u>(918)</u>
Total liabilities									<u>(9,104,688)</u>

As at 31 December 2018

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	1,157,867	339,827	2,669,816	1,434,255	688,096	1,006,195	4,224,506	(2,011,366)	9,509,196
Including:									
<i>Investments in associates and joint ventures</i>	-	-	4	7	-	67	3,575	-	3,653
Unallocated assets									<u>21,975</u>
Total assets									<u>9,531,171</u>
Segment liabilities	<u>(1,140,638)</u>	<u>(342,636)</u>	<u>(2,534,865)</u>	<u>(1,399,199)</u>	<u>(681,169)</u>	<u>(991,077)</u>	<u>(3,747,047)</u>	<u>2,011,366</u>	<u>(8,825,265)</u>
Unallocated liabilities									<u>(598)</u>
Total liabilities									<u>(8,825,863)</u>

Business Information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The “Others Business” segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

(In millions of RMB)

	Year ended 31 December 2019				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	54,158	45,514	42,145	2,266	144,083
Inter-segment net interest income/(expense)	19,915	15,277	(35,192)	-	-
Net interest income	74,073	60,791	6,953	2,266	144,083
Net fee and commission income	15,168	25,585	543	2,329	43,625
Net gains/(losses) arising from trading activities	1,708	(3)	11,789	2,442	15,936
Net gains arising from financial investments	-	-	313	-	313
Share of profits of associates and joint ventures	-	-	-	414	414
Insurance business income	-	-	-	11,687	11,687
Other operating income	13,763	2,313	-	723	16,799
Total operating income – net	104,712	88,686	19,598	19,861	232,857
Credit impairment losses	(31,854)	(20,803)	1,014	(311)	(51,954)
Other assets impairment losses	(233)	-	-	(37)	(270)
Insurance business expense	-	-	-	(11,432)	(11,432)
Other operating expense					
– Depreciation and amortisation	(2,917)	(4,347)	(406)	(435)	(8,105)
– Others	(31,335)	(34,412)	(2,858)	(4,291)	(72,896)
Profit before tax	38,373	29,124	17,348	3,355	88,200
Income tax					(10,138)
Net profit for the year					78,062
Depreciation and amortisation	(2,917)	(4,347)	(406)	(435)	(8,105)
Capital expenditure	(11,650)	(17,366)	(1,623)	(1,737)	(32,376)

(In millions of RMB)

	Year ended 31 December 2018				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	49,366	41,779	37,313	2,450	130,908
Inter-segment net interest income/(expense)	<u>19,189</u>	<u>9,011</u>	<u>(28,200)</u>	<u>-</u>	<u>-</u>
Net interest income	68,555	50,790	9,113	2,450	130,908
Net fee and commission income	14,392	24,090	604	2,151	41,237
Net gains/(losses) arising from trading activities	2,656	(53)	13,876	620	17,099
Net gains arising from financial investments	-	-	290	-	290
Share of profits of associates and joint ventures	-	-	-	227	227
Insurance business income	-	-	-	7,481	7,481
Other operating income	<u>11,487</u>	<u>3,130</u>	<u>2</u>	<u>1,194</u>	<u>15,813</u>
Total operating income – net	<u>97,090</u>	<u>77,957</u>	<u>23,885</u>	<u>14,123</u>	<u>213,055</u>
Credit impairment losses	(29,726)	(13,607)	141	(262)	(43,454)
Other assets impairment losses	(34)	-	-	(26)	(60)
Insurance business expense	-	-	-	(6,722)	(6,722)
Other operating expense					
– Depreciation and amortisation	(1,708)	(3,581)	(125)	(263)	(5,677)
– Others	<u>(28,557)</u>	<u>(35,979)</u>	<u>(2,671)</u>	<u>(3,868)</u>	<u>(71,075)</u>
Profit before tax	<u>37,065</u>	<u>24,790</u>	<u>21,230</u>	<u>2,982</u>	<u>86,067</u>
Income tax					<u>(11,902)</u>
Net profit for the year					<u>74,165</u>
Depreciation and amortisation	(1,708)	(3,581)	(125)	(263)	(5,677)
Capital expenditure	<u>(9,430)</u>	<u>(19,775)</u>	<u>(688)</u>	<u>(1,452)</u>	<u>(31,345)</u>

(In millions of RMB)

As at 31 December 2019

	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	<u>3,524,914</u>	<u>1,829,595</u>	<u>4,429,717</u>	<u>97,309</u>	<u>9,881,535</u>
Including:					
Investments in associates and joint ventures	-	-	-	4,600	4,600
Unallocated assets					<u>24,065</u>
Total assets					<u>9,905,600</u>
Segment liabilities	<u>(4,340,472)</u>	<u>(2,004,467)</u>	<u>(2,719,447)</u>	<u>(39,384)</u>	<u>(9,103,770)</u>
Unallocated liabilities					<u>(918)</u>
Total liabilities					<u>(9,104,688)</u>

As at 31 December 2018

	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	<u>3,181,294</u>	<u>1,721,526</u>	<u>4,529,647</u>	<u>76,729</u>	<u>9,509,196</u>
Including:					
Investments in associates and joint ventures	-	-	-	3,653	3,653
Unallocated assets					<u>21,975</u>
Total assets					<u>9,531,171</u>
Segment liabilities	<u>(4,247,625)</u>	<u>(1,806,316)</u>	<u>(2,742,362)</u>	<u>(28,962)</u>	<u>(8,825,265)</u>
Unallocated liabilities					<u>(598)</u>
Total liabilities					<u>(8,825,863)</u>

There were no significant transactions with a single external customer that the Group mainly relied on.

11 Liquidity Risk

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

(In millions of RMB)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2019									
Assets									
Cash and balances with central banks	90,626	-	291	-	-	-	-	669,268	760,185
Due from and placements with banks and other financial institutions	68,990	149,937	95,479	265,628	57,812	10,642	-	-	648,488
Derivative financial assets	-	3,350	4,941	7,339	3,971	1,336	-	-	20,937
Financial investments at FVPL	7,455	5,468	16,748	50,326	58,460	47,292	-	220,749	406,498
Loans and advances to customers	-	645,176	316,350	1,217,899	1,168,046	1,802,390	33,792	-	5,183,653
Financial investments at FVOCI	-	11,231	36,586	112,932	386,254	113,708	-	8,945	669,656
Financial investments at amortised cost	-	21,690	36,753	267,765	1,040,314	562,427	740	-	1,929,689
Other assets	65,540	5	15	7,807	20,326	3,802	696	188,303	286,494
Total assets	232,611	836,857	507,163	1,929,696	2,735,183	2,541,597	35,228	1,087,265	9,905,600
Liabilities									
Due to and placements from banks and other financial institutions	(409,571)	(312,213)	(276,142)	(846,554)	(39,762)	(19,840)	-	-	(1,904,082)
Financial liabilities at FVPL	(1,087)	(4,103)	(6,026)	(7,453)	(8,311)	-	-	-	(26,980)
Derivative financial liabilities	-	(3,494)	(5,876)	(10,477)	(5,121)	(1,456)	-	-	(26,424)
Due to customers	(2,608,492)	(616,996)	(680,301)	(1,018,114)	(1,122,574)	(26,431)	-	-	(6,072,908)
Other liabilities	(60,594)	(50,219)	(145,757)	(398,664)	(277,546)	(141,514)	-	-	(1,074,294)
Total liabilities	(3,079,744)	(987,025)	(1,114,102)	(2,281,262)	(1,453,314)	(189,241)	-	-	(9,104,688)
Net amount on liquidity gap	(2,847,133)	(150,168)	(606,939)	(351,566)	1,281,869	2,352,356	35,228	1,087,265	800,912

(In millions of RMB)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2018									
Assets									
Cash and balances with central banks	126,424	-	371	-	-	-	-	713,376	840,171
Due from and placements with banks and other financial institutions	93,420	330,936	67,073	207,595	143,572	5,471	-	-	848,067
Derivative financial assets	-	5,601	6,887	13,831	2,859	1,552	-	-	30,730
Financial investments at FVPL	8,232	7,253	9,786	47,586	58,183	50,050	458	194,838	376,386
Loans and advances to customers	-	664,962	257,043	1,191,035	1,088,301	1,514,178	26,853	-	4,742,372
Financial investments at FVOCI	-	13,348	27,707	106,691	232,364	57,520	-	7,388	445,018
Financial investments at amortised cost	-	38,084	52,330	227,158	1,187,867	494,466	600	-	2,000,505
Other assets	54,240	-	165	499	21,311	1,309	781	169,617	247,922
Total assets	<u>282,316</u>	<u>1,060,184</u>	<u>421,362</u>	<u>1,794,395</u>	<u>2,734,457</u>	<u>2,124,546</u>	<u>28,692</u>	<u>1,085,219</u>	<u>9,531,171</u>
Liabilities									
Due to and placements from banks and other financial institutions	(438,924)	(354,689)	(329,637)	(966,127)	(46,308)	(26,608)	-	-	(2,162,293)
Financial liabilities at FVPL	(865)	(2,968)	(5,801)	(5,978)	(7,497)	-	-	-	(23,109)
Derivative financial liabilities	-	(5,036)	(6,199)	(14,435)	(2,199)	(236)	-	-	(28,105)
Due to customers	(2,442,774)	(554,332)	(397,452)	(1,649,194)	(674,006)	(75,566)	-	-	(5,793,324)
Other liabilities	(50,084)	(53,268)	(118,200)	(238,444)	(214,200)	(144,836)	-	-	(819,032)
Total liabilities	<u>(2,932,647)</u>	<u>(970,293)</u>	<u>(857,289)</u>	<u>(2,874,178)</u>	<u>(944,210)</u>	<u>(247,246)</u>	<u>-</u>	<u>-</u>	<u>(8,825,863)</u>
Net amount on liquidity gap	<u>(2,650,331)</u>	<u>89,891</u>	<u>(435,927)</u>	<u>(1,079,783)</u>	<u>1,790,247</u>	<u>1,877,300</u>	<u>28,692</u>	<u>1,085,219</u>	<u>705,308</u>

12 Non-Adjusting Event After Reporting Period

In accordance with the resolution and authorization of the 7th meeting of the 9th Session of Board of Directors of the Bank, BOCOM International Holdings Company Limited, a subsidiary of the Bank, intends to initiate the establishment of a wholly-owned subsidiary, BOCOM Financial Technology Company Limited through its wholly-owned subsidiary BOCOM International (Shanghai) Equity Investment Management Co., Ltd. The Investment is subject to relevant regulatory approval.

In January 2020, the Board of Directors of the Bank approved a total capital increase to Bank of Communications (Hong Kong) Limited of no more than HKD30 billion. Such capital will be injected by instalments. Such proposal is subject to the ultimate approval by the Bank's Shareholders' General Meeting.

In January 2020, the Board of Directors of the Bank approved the issuance of undated capital bonds with write-down feature which has a total amount of no more than RMB90 billion or equivalent foreign currencies on the domestic and overseas markets, to replenish Additional Tier 1 Capital of the Bank. Such proposal is subject to the ultimate approval by the Bank's Shareholders' General Meeting.

In January 2020, the Board of Directors of the Bank approved the issuance of financial bonds with a total amount of no more than 1% of the total assets of the Group in its latest audited financial statements on the national inter-bank bond market, which can be implemented with stages during the authorised period. The duration of the bond shall not exceed five years.

In January 2020, the Bank's Hong Kong Branch issued three medium term notes with the face value of RMB2 billion due in 2022, USD1.3 billion due in 2023 and HKD2.8 billion due in 2022 respectively.

In March 2020, Bank of Communications (Hong Kong) Limited issued Non-Cumulative Subordinated Additional Tier 1 Capital Securities with the face value of USD0.5 billion.

In March 2020, Bank of Communications Financial Assets Investment Co., Ltd. issued two financial bonds with the face value of RMB3 billion due 2023 and RMB7 billion due 2025 respectively.

Since January 2020, the epidemic of COVID-19 has spread around the world, affecting commercial and economic activities. Consequently, it may to some extent influence the quality of credit assets and investment assets or ROE of the Group. The impacts depend on the duration of the epidemic, work of prevention and control, and regulatory policies. The Group will continue to pay close attention to the progression of the epidemic and actively assess and respond to its impacts on the Group's financial position and operating results. As at the reporting date, the assessment is still in progress.

VIII. PUBLICATION OF THE ANNOUNCEMENT OF ANNUAL RESULTS

This results announcement is extracted from the 2019 Annual Report prepared in accordance with the IFRSs. The full report will be published on the website of HKEx News at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for the reference of shareholders. The 2019 Annual Report, which is prepared in accordance with China Accounting Standards, will be available on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors should read the full text of the Annual Report for details of the Annual Result. The Annual Report prepared in accordance with the IFRSs is anticipated to be despatched to the shareholders of H shares in April 2020.

This announcement is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

By order of the Board of Directors
Bank of Communications Co., Ltd.
Ren Deqi
Chairman of the Board of Directors

Shanghai, the PRC
27 March 2020

As at the date of this announcement, the Directors of the Bank are Mr. Ren Deqi, Mr. Hou Weidong, Mr. Wang Taiyin, Mr. Song Guobin*, Mr. He Zhaobin*, Mr. Chan Siu Chung*, Mr. Song Hongjun*, Mr. Chen Junkui*, Mr. Liu Haoyang*, Ms. Li Jian#, Mr. Liu Li#, Mr. Jason Yeung Chi Wai#, Mr. Raymond Woo Chin Wan#, Mr. Cai Haoyi# and Mr. Shi Lei#.*

* *Non-executive Directors*

Independent Non-executive Directors