



中国光大银行
CHINA EVERBRIGHT BANK

Building a Leading Wealth Management Bank

Stock Code: 6818

2019 年度報告
ANNUAL REPORT



中國光大銀行股份有限公司

China Everbright Bank Company Limited

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





中国光大银行
CHINA EVERBRIGHT BANK

Important Notice

The Board of Directors, Board of Supervisors and Directors, Supervisors and Senior Management of the Bank hereby warrant the authenticity, accuracy and completeness of the contents of this Report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume full responsibility for the information in this Report.

The 12th Meeting of the Eighth Session of the Board of Directors of the Bank was convened in Beijing on 27 March 2020, at which the 2019 Annual Report of the Bank was considered and approved. 17 out of 17 Directors attended the meeting in person. 7 Supervisors were present at the meeting as non-voting attendees.

The financial statements of the Bank for the year 2019 were prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) and the International Financial Reporting Standards (“IFRS”) and have been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the China Standards on Auditing and the International Standards on Auditing. Both auditors issued standard unqualified auditor’s reports.

Mr. Li Xiaopeng, Chairman of the Board of Directors, Mr. Liu Jin, President, Mr. Yao Zhongyou, Vice President in charge of finance and accounting, and Mr. Sun Xinhong, General Manager of the Finance and Accounting Department, hereby warrant the authenticity, accuracy and completeness of the financial report in this Report.

Unless otherwise stated, all monetary sums stated in this Report are expressed in Renminbi/RMB.

The Board of Directors of the Bank proposed to pay an ordinary share dividend of RMB2.14 (before tax) for every 10 shares for 2019. Please refer to “Significant Events” for details.

Forward-looking statements such as future plans of the Bank mentioned in this Report do not constitute actual commitments of the Bank to the investors. The investors and related parties should be fully aware of the risks, and should understand the difference between plans, predictions and commitments.

In this Report, “We/we”, “our Company”, “the Company”, “the Bank”, “whole Bank” and “China Everbright Bank” all refer to China Everbright Bank Company Limited, and “the Group” refers to China Everbright Bank Company Limited and its subsidiaries.

**The Board of Directors of
China Everbright Bank Company Limited
27 March 2020**



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Definition and Significant Risk Warning

I. DEFINITIONS

i. In this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

MOF	:	Ministry of Finance of the People's Republic of China
Central Bank	:	The People's Bank of China
CBIRC	:	China Banking and Insurance Regulatory Commission
Former CBRC	:	former China Banking Regulatory Commission
CSRC	:	China Securities Regulatory Commission
CIC	:	China Investment Corporation
CHI	:	Central Huijin Investment Ltd.
China Everbright Group	:	China Everbright Group Ltd.
SSE	:	Shanghai Stock Exchange
HKEX	:	Hong Kong Exchanges and Clearing Limited
EY Hua Ming	:	Ernst & Young Hua Ming (LLP)
EY	:	Ernst & Young

ii. The following glossary contains explanations of certain terms used in connection with products of the Bank to facilitate the understanding of investors:

Sunshine Exchange Gain: A package of full-cycle, specialized and integrated wealth management schemes from the perspective of “neutral finance”, centering on “Mega Wealth Management”, focusing on the two basic functions of “financing and hedging”, and applying three financial risk management tools of exchange rate, interest rate and credit.

Payroll Manager: Focusing on agency payroll customer base, the Bank integrates advantageous financial products and services of the Bank and China Everbright Group, and launches a “one-stop” financial services platform on the mobile banking to provide customers with settlement, investment, financing, going abroad and value-added services.

Cloud Payment: Comprehensive payment service based on the integration of various payment channels. In response to the payment and settlement needs in corporate transactions and personal consumption scenarios, it provides comprehensive solutions integrating “online + offline, corporate + personal, intra-bank + interbank, payment + account” services.

Blockchain Payment, Blockchain Custody and Blockchain Payroll: Payment, custody and agency payroll services based on blockchain technology. It can realize the chaining of relevant business data and save the information on the blockchain.

Investment and Financing E: A matching platform based on mobile internet technologies, it overcomes the deficiency of traditional business that relies heavily on offline manual connection, realizes online and accurate connection for matchmaking business, and thus greatly improves the efficiency of matchmaking business.

Sunshine e Mortgage Loan: A revolving loan product integrating online application, automatic approval, online contracting, drawdown and repayment launched by the Bank for small and micro enterprises based on comprehensive consideration of corporate tax payment and collateral and by employing internal and external data it has obtained in analysis and decision-making.

Sunshine e-Grain Loan: An online financing product tailored for small and micro member enterprises of the national grain e-trading platform.

Sunshine Government Procurement Loan: Whole-process and efficient online financing services provided by the Bank for small and micro enterprises which have won the bid for government procurement through cooperating with the Account Receivables Financing Service Platform of the Credit Reference Center of the People's Bank of China and local government procurement website.

II. SIGNIFICANT RISK WARNING

The Bank has disclosed herein the major risks involved in its operations and proposed risk management measures accordingly. Please refer to the “Discussion and Analysis of Operations” for details.

Company Profile

I. BASIC INFORMATION

- i. Name of the Bank
 Registered Chinese Company Name: 中國光大銀行股份有限公司 (Abbreviation: 中國光大銀行 or 光大銀行)
 Registered English Company Name: CHINA EVERBRIGHT BANK COMPANY LIMITED (Abbreviation: CEB BANK)
- ii. Relevant Persons
 Legal Representative: Li Xiaopeng
 Authorized representatives: Li Xiaopeng, Li Jiayan
 Secretary to the Board of Directors and Company Secretary: Li Jiayan
 Securities Affairs Representative: Li Jiayan
 Assistant to Company Secretary: Lee Mei Yi
- iii. Contacts
 Contact Address: China Everbright Center, No. 25 Taiping Qiao Street, Xicheng District, Beijing
 Postal code: 100033
 Tel.: 86-10-63636363
 Facsimile: 86-10-63636713
 Email: IR@cebbank.com
 Investor hotline: 86-10-63636388
- iv. Corporate Information
 Registered and Office Address: China Everbright Center, No. 25 and No. 25 A Taiping Qiao Street, Xicheng District, Beijing
 United Social Credit Code: 91110000100011743X
 Code of financial authority: B0007H111000001
- v. Principal Place of Business in Hong Kong
 CEB Hong Kong Branch: 30/F, Far East Finance Center, 16 Harcourt Road, Admiralty, Hong Kong
- vi. Newspaper and Website Designated for Information Disclosure
 Chinese mainland: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
 Websites designated for publication of A share annual report:
 SSE's website: www.sse.com.cn;
 Bank's website: www.cebbank.com
 Websites designated for publication of H share annual report:
 HKEX's website: www.hkex.com.hk;
 Bank's website: www.cebbank.com
 Copies of annual report are available at: Office of the Board of Directors of the Bank, SSE

Company Profile

- vii. Stock Exchange for Listing of Shares
 A Shares: SSE
 Abbreviated name of Ordinary Shares: Everbright Bank; Code: 601818
 Abbreviated name of Preference Shares: Everbright P1; Everbright P2; Everbright P3; Code: 360013, 360022, 360034 (SSE Comprehensive Business Platform)
 Abbreviated name of Bond: Everbright Convertible Bonds; Code: 113011
 H shares: HKEX
 Abbreviated name: CEB Bank; Code: 6818
- viii. Auditors during the Reporting Period
 Domestic Auditor: Ernst & Young Hua Ming LLP
 Office Address: 16/F, Ernst & Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Beijing
 Certified Public Accountants for Signature: Gu Jun, Leung Shing Kit
 Overseas Auditor: Ernst & Young
 Office Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
 Certified Public Accountant for Signature: Kam Cheong Geoffrey
- ix. Legal advisors to the Board of Directors during the Reporting Period
 A Share Legal Advisor: Jun He Law Offices
 H Share Legal Advisor: Clifford Chance LLP
- x. Share Depository
 A Share Ordinary Shares, Preference Shares and Convertible Bond Depository: Shanghai Branch, China Securities Depository and Clearing Corporation Limited
 Office Address: 36/F, China Insurance Building, No.166, Lujiazui East Road, Pudong New District, Shanghai
 H Share Registrar: Computershare Hong Kong Investor Services Limited
 Office Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

II. INTRODUCTION

China Everbright Bank, which was established in August 1992 and headquartered in Beijing, is a national joint-stock commercial bank approved by the State Council of China and the Central Bank. The Bank was listed on the SSE in August 2010 (stock code 601818) and the HKEX in December 2013 (stock code 6818).

With continuous reform and innovation in optimizing its product design, channel development and service models, the Bank has forged a strong competitive edge in its major product and business lines such as asset management, investment banking business, e-banking and credit card. Therefore, it has achieved balanced growth of all business lines, with improved risk management and enhanced innovation capabilities.

As at the end of the reporting period, the Bank had established 1,287 branches and outlets nationwide, which managed to cover all provincial administrative regions and extended its business reach to 146 economic center cities across the country. Centering on wealth management strategy, Everbright Wealth Management Co., Ltd. commenced operation and became the first wealth management subsidiary under a joint-stock commercial bank in China. Closely following up with the Belt and Road Initiative and expanding its international presence at a faster pace, the Bank put Hong Kong Branch, CEB International Investment Corporation Limited, Seoul Branch, China Everbright Bank (Europe) S.A., Luxembourg Branch and Sydney Branch into operation successively. At the same time, the Bank's long-term sponsorship for "Water Cellar for Mothers", a public charity program, demonstrated CEB's ever-growing commitment to its social responsibilities, which was well recognized by the Chinese society. The Bank was ranked 28th in the Brand Finance Banking 500, 2020.

Over the years, along with the evolution of Chinese economy and the growth of Chinese financial sector, the Bank managed to improve its brand image and market value continuously. While rendering its customers and the public with quality financial services, it also secured good business performance. Now the Bank is a listed bank with sound compliance and wide influence.



Honors and Awards



1. The Bank was chosen as the 2018 Excellent SSE Investment Institution for Asset-backed Securities on 18 January 2019 when Awarding Ceremony for the 2018 Excellent Participating Institutions of the SSE Bond Market was hosted by SSE.
2. The Bank was named the 2018 Most Socially Responsible Commercial Bank on 31 January 2019 when the 2018 Financial Rank list was released by the website toutiao.com.
3. The Bank was selected as the Spot Market-maker with Greatest Progress and the Best Foreign Currency Lending Member on 15 March 2019 when the excellence selection for 2018 inter-bank foreign exchange market was hosted by China Foreign Exchange Trade System.
4. The Bank's Cloud Fee Payment was named the Excellent Case of Smart Life Fee Payment at the WeChat Payment Partner Conference on 19 March 2019.
5. The Bank's Sunshine e-Grain Loan was conferred the Top Ten Supply Chain Financial Innovation Award on 30 May 2019 when the 2019 China's Financial Innovation Award selection was hosted by The Chinese Banker magazine.
6. The Bank was selected as 2018 Outstanding Institution for Data Quality of Commercial Credit Reporting System by the Credit Reference Center, the People's Bank of China on 14 June 2019.
7. The Bank was conferred the 2019 Gamma Award for Private Banking on 12 July 2019 when the newspaper Securities Times convened the 2019 Annual Conference for the Banking Industry of China and the Gamma Awarding Ceremony.
8. The Bank won the award of "Top Graduate Employers China 2019" at the award ceremony on 12 July 2019 when the website 51job.com hosted the Awarding Ceremony for Top Graduate Employers China 2019.
9. The Bank's case "Achieving Results in Promoting Poverty Alleviation through E-commerce with Wonderful E-shopping" won the Best Social Responsibility Practice Case Award of Social Responsibility Evaluation for 100 Chinese Banks in 2018 on 17 July 2019 when China Banking Association hosted the Release of 2018 Social Responsibility Report of China Banking Industry & Top 100 Social Responsibility Commendation Conference.



10. The Bank's Colorful Sunshine brand was awarded the 2019 Best Banking Wealth Management Brand and the 2019 Best Bank for FinTech Innovation on 20 July 2019 when the newspaper 21st Century Business Herald held the Golden-Shell Award Ceremony of China's Asset Management and 2019 China's Asset Management Annual Conference.
11. The Bank was selected as the 2019 Credit Card Bank and granted the Big Data Risk Control AI Innovation Award on 19 November 2019 when the newspaper 21st Century Business Herald hosted the 14th 21st Century Annual Finance Summit of Asia.
12. The Bank was recognized as the 2019 Excellent Wealth Management Bank on 22 November 2019 when National Business Daily held the 2019 China Financial Development Forum and Golden Tripod Awards Ceremony.
13. The Bank's Wealth Management was selected as the 2019 Excellent Banking Wealth Management Brand on 29 November 2019 when the newspaper Shanghai Securities News hosted the 2019 SSE Wealth Management Forum and the 10th Gold Wealth Management Awarding Ceremony.
14. The Bank was conferred the Best Electronic Banking and the Best Digital Financial Innovation awards by China Financial Certification Authority on 5 December 2019.
15. The Bank was recognized as the 2019 Most Competitive Bank and the 2019 Bank for Best Inclusive Finance Services at the 2019 Gold Medal Award Ceremony of Chinese Financial Institutions on 12 December 2019 when the newspaper Financial News revealed the results of the 2019 Gold Medal Award of Chinese Financial Institutions · Gold Dragon Award.
16. The Bank was recognized as the 2019 Bank for Brand Influence and the 2019 Bank for FinTech Innovation on 18 December 2019 when the website hexun.com revealed the results of the 17th Rank List of Influential Chinese Banks.
17. The Bank was awarded the Best Board of Directors and the Most Innovative Board Secretary on 21 December 2019 when the Directors & Boards magazine, The Listed Companies Association of Beijing and Shenzhen Public Companies Association hosted the 15th "Gold Round Table" of Boards of Chinese Listed Companies.
18. Banking Department of Nanning Branch and Banking Department of Guiyang Branch of the Bank were listed among "2019 Top 100 Demonstration Institutions for Model Standard Services" by China Banking Association on 23 December 2019.



LI Xiaopeng
Chairman

Message from the Chairman

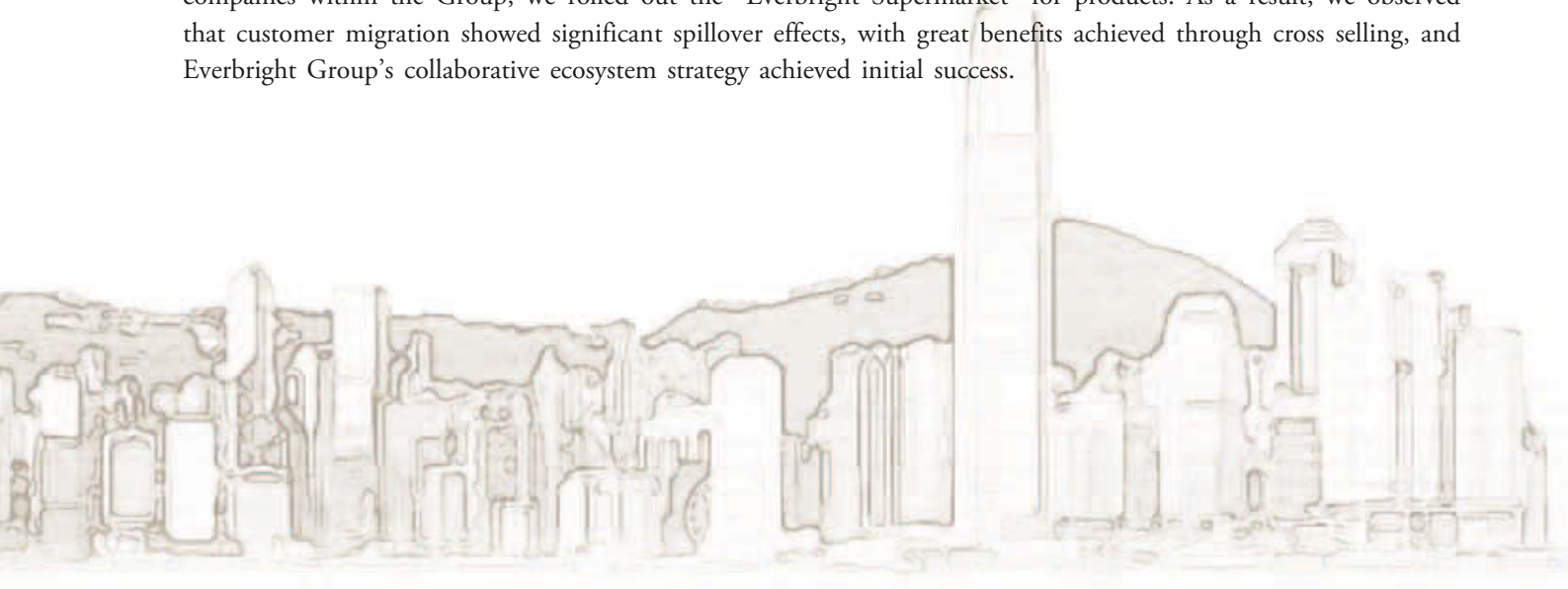
In 2019, China Everbright Bank was guided by the vision of “building a first-class wealth management bank”. CEB maintained its strategic focus, strengthened implementation of its strategies whilst maintaining a commitment to high-quality development. The efforts paid dividends, with our overall competitiveness increasing significantly, most notably in value creation, and inspiring operating results were attained.

This year, we forged ahead and advanced with the times.

CEB’s tireless efforts this year resulted in significant progress in operating performance. Profitability displayed continued improvement; operating income reached RMB132.9 billion, an increase of more than 20%, and net profit rose by 11%. This was the best ever achievement in the past six years. Our return on assets improved steadily. In terms of scale, deposit balances exceeded the RMB3 trillion mark. The number of retail customers and users reached more than 100 million and 400 million, respectively, further cementing our customer base. Asset quality improvements remained on track as we strengthened our risk management. Our efforts were reflected in record high ranking in Brand Finance’s Banking 500, where we jumped 12 spots to the 28th position with our brand value hitting a record high.

Furthermore, CEB continued to take up its responsibilities, making great progress in its new responsibilities. We were fully aligned with national strategies, supporting the Belt and Road Initiative, the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze Economic Belt, amongst other key areas. We persisted in supporting the growth of private enterprises, developing a host of solutions to assist them. Private enterprises represented more than 70% of our credit customers in 2019. Additionally, we continued to promote inclusive finance, helping micro and small enterprises to overcome difficulties, while improving financing efficiency and lowering financing cost. We also implemented special programs to improve the people’s wellbeing through a diversified “wellbeing service package”, making remarkable achievements in providing convenient services for the people.

CEB also placed emphasis on innovation and collaboration on the creation of a shared ecosystem. Leveraging the comprehensive financial platform of the Everbright Group, we developed the Wealth E-SBU (CEB Ecological Collaborative Strategy), strengthened the combination between industry and finance, introduced leading-edge products, and bespoke solutions for each scenario. We accelerated service innovation, shared benefits with customers, and continuously expanded the “circle of friends”. Through joint integration and connectivity among affiliated companies within the Group, we rolled out the “Everbright Supermarket” for products. As a result, we observed that customer migration showed significant spillover effects, with great benefits achieved through cross selling, and Everbright Group’s collaborative ecosystem strategy achieved initial success.



Message from the Chairman

CEB embraced the importance of technology, especially as a driver of growth. We endeavored to build a “123+N” digital banking development system with “one smart brain, two technological platforms, three service capabilities and N digital hit products”, and fully implemented our planned technological development strategy; we carried out our program of doubling investment in technology, and attracted an growing number of personnel in the technology department. During the year, we invested RMB3.4 billion, accounting for 2.56% of our operating income, into technological development. The digital bank was taking initial shape, as evidenced by the fact that cutting-edge technologies were put into use one after another, artificial intelligence ensured security and increased efficiency, blockchain technology helped us win more trust and cooperation, cloud computing enhanced services and collaboration, and big data facilitated risk control and marketing.

2019 was the year of putting customers first and extending this image. For example, our Cloud Fee Payment services cover over 7,000 items and helped customers reduce utility bill-payment times from hours to minutes. The service attracts over 378 million users. “Cloud Fee Payment” became an effective digital means of inclusive finance to serve medium, small and micro enterprises and self-employed individuals. Similarly, our “Sunshine Annuity” product won bids to act as the occupational annuity custodian for 30 provinces and autonomous regions, providing support for the undertaking of elderly care. Our “Sunshine Finance” product won the bid for agency bank to collect non-tax fiscal income for the central government for five consecutive years, and the accumulative transactions ranked among the top places. Our “Colorful Sunshine” wealth management product helped customers to increase the value of their wealth and tested the water for transformation of asset management.

This year, CEB continued deepened the reforms with newfound motivations. Our wealth management subsidiary commenced operation and our plans for establishing a consumer finance company were approved, exemplifying our speed and efficiency in execution. We also expanded the scope of our business outside of China with the official opening of our Sydney Branch. Our internal talent selection initiatives paid dividends, most notably amongst the “post-80” cohorts standing out. On the branch level, an unprecedented number of talents for management-level positions were selected through official performance assessment. Our corporate ethos of Home, Sunshine, Business and Responsibility has taken root among our people, and the Song of CEB expresses our pride and glory.



Together, we strive to overcome difficulties through challenging times.

Since the coronavirus (COVID-19) outbreak, CEB has swiftly donated resources to help combat the epidemic and launched preferential lending policies across industries. CEB also opened green channels and innovated in the epidemic prevention and control servicing model. Leveraging all of our strengths with an aim to win this battle against the epidemic resolutely, CEB has displayed our compassion and sense of duty amid this outbreak.

Let us seize the day and live it to the fullest.

In 2020, CEB will put into practice our new development philosophy, guided by the general principle of “making progress amid stability, seeking opportunities amongst change, and pursuing innovation during progress”, strengthened epidemic control and prevention as well as business operations in equal measures, while improving our capabilities in value creation. We will continue to advance the transformation towards operations that are “agile, technological-driven, and with a focus on the Everbright Group ecosystem” and strive to make new breakthroughs in the creation of Wealth E-SBU. Meanwhile, we will strive to expand a quality customer base, strengthen the driving role of technology, improve the performance of our outlets, and increase the income output. We strive to enhance our governance capabilities, firmly safeguard our bottom-line of risk control, and consolidate a strong foundation for development. We will also implement stable profit distribution policies to continue to increase shareholder returns. We will endeavor to make new high-quality achievements on the journey of “building a first-class wealth management bank” and create greater value for shareholders and society.





GE Haijiao
President

Message from the President

2019 was the Year of Value Creation for CEB. Guided by the strong leadership of the Group's Party Committee, we directed our focus on the strategy of building a first-class wealth management bank, pursued high-quality development, and accelerated the transformation towards operations that are "agile, technological-driven, and with a focus on the Everbright Group ecosystem". Driven by these initiatives, our employees throughout the Bank worked tirelessly and achieved inspiring operating results.

During the year, CBE fully supported the implementation of national strategies, served the growth of the real economy and manufacturing industry, endeavored to satisfy financing needs of private enterprises and MSEs, and improved our ability to provide inclusive finance services. We endeavored to undertake our responsibilities for a unified management system for policy, approval, monitoring and resolution to effectively prevent and remove financial risks. We actively coordinated with the comprehensive financial development of the Everbright Group, playing a leading role of Wealth E-SBU. Technological innovation played a remarkable role and our "Cloud Fee Payment" product grew rapidly, laying a solid foundation for cloud-based CEB.

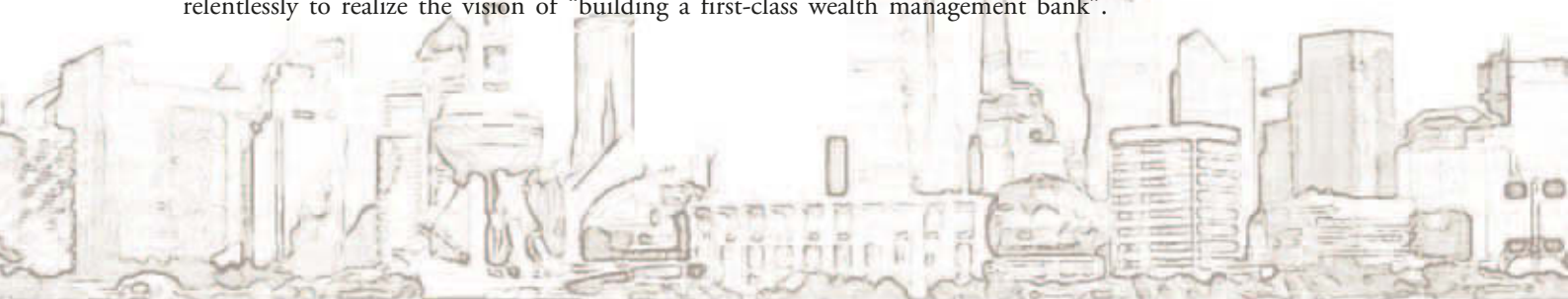
Moreover, CEB ascribed great importance to the creation of value, manifesting in our record-high operating results. We broke new ground in scale, profit, quality, structure, customer base and other indices; our deposit balance and operating income exceeded the RMB3 trillion and RMB100 billion marks, respectively. We faithfully took on our social responsibilities, and contributed to poverty alleviation.

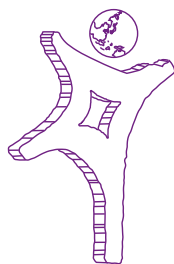
Furthermore, CEB accelerated the development of our institution as we gradually expanded our operating scope. Everbright Wealth Management Co., Ltd. commenced operation, becoming the first wealth management subsidiary under a joint-stock commercial bank in China. The preparation for the establishment of Beijing Sunshine Consumer Finance Co., Ltd. was approved. We also made progress in expanding our franchise outside of China, officially opening the Sydney Branch and winning the regulators' approval for the Tokyo Representative Office. These were important milestones for us and positive indicators that our international expansion plans were on track.

Simultaneously, CEB strengthened the organization and leadership of the Party branch and continued to build out our corporate culture, increasingly reinforcing cohesion and execution capability. Internally, we launched the campaign on the theme of "remaining true to our original aspiration and keeping our mission firmly in mind" throughout the Bank, engaging 2,140 primary-level Party groups and 16,700 Party members and lifting their Party spirit. The campaign bore fruit, with a large number of role models coming to the fore as a result. We strengthened discipline supervision and inspection, promoted integrity, and advocated new spirits of the times. Mindset of inspiration and mission provided strong impetus for each and every CEB member to forge ahead.

I hereby would like to express my sincere gratitude to CEB employees and people from all walks of life for their understanding and support for the Bank.

What's past is prologue. In 2020, guided by the decisions and plans of the CPC Central Committee and requirements of the Everbright Group's Party Committee, we will stick to the principle of "making progress amid stability, seeking opportunity amongst change and pursuing innovation in progress" to improve our capability of value creation. We are endeavoring to achieve better results on the journey of pursuing high-quality development, and forging ahead relentlessly to realize the vision of "building a first-class wealth management bank".





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Summary of Accounting Data and Financial Indicators

I. KEY FINANCIAL DATA AND INDICATORS

Item	2019	2018 (Restated) ¹	Change in 2019 over 2018 (%)	2017	2016	2015
Operating performance (RMB million)						
Net interest income ¹	101,918	78,164	30.39	60,950	65,288	66,459
Net fee and commission income ¹	23,169	19,773	17.17	30,774	28,112	26,301
Operating income	132,939	110,386	20.43	92,018	94,365	93,364
Operating expenses	(38,429)	(33,706)	14.01	(30,802)	(30,254)	(32,354)
Impairment losses on assets	(49,347)	(35,828)	37.73	(20,570)	(23,931)	(21,652)
Profit before tax	45,163	40,852	10.55	40,646	40,180	39,358
Net profit	37,441	33,721	11.03	31,611	30,388	29,577
Net profit attributable to equity shareholders of the Bank	37,354	33,659	10.98	31,545	30,329	29,528
Per share (in RMB)						
Net assets per share attributable to ordinary shareholders of the Bank ²	6.10	5.55	9.91	5.24	4.72	4.36
Basic earnings per share ³	0.68	0.61	11.48	0.64	0.63	0.63
Diluted earnings per share ⁴	0.62	0.55	12.73	0.59	0.63	0.63
Scale indicators (RMB million)						
Total assets	4,733,431	4,357,332	8.63	4,088,243	4,020,042	3,167,710
Total loans and advances to customers	2,712,204	2,421,329	12.01	2,032,056	1,795,278	1,513,543
Provision for impairment of loans ⁵	76,228	67,209	13.42	51,238	43,634	38,119
Total liabilities	4,347,377	4,034,859	7.75	3,782,807	3,768,974	2,943,663
Deposits from customers	3,017,888	2,571,961	17.34	2,272,665	2,120,887	1,993,843
Total equity attributable to equity shareholders of the Bank	384,982	321,488	19.75	304,760	250,455	223,493
Share capital	52,489	52,489	–	52,489	46,679	46,679
Profitability indicators (%)						
Return on average total assets	0.82	0.80	+0.02 percentage point	0.78	0.85	1.00
Return on weighted average net assets ⁶	11.77	11.55	+0.22 percentage point	12.75	13.80	15.50
Net interest spread ¹	2.18	1.91	+0.27 percentage point	1.32	1.59	2.01
Net interest margin ¹	2.31	1.97	+0.34 percentage point	1.52	1.78	2.25
Proportion of fee and commission income in operating income ¹	17.43	17.91	-0.48 percentage point	33.44	29.79	28.17
Cost-to-income ratio	27.85	29.48	-1.63 percentage points	32.36	29.00	27.05
Asset quality indicators (%)						
NPL ratio	1.56	1.59	-0.03 percentage point	1.59	1.60	1.61
Provision coverage ratio ⁷	181.62	176.16	+5.46 percentage points	158.18	152.02	156.39
Provision-to-loan ratio ⁸	2.83	2.80	+0.03 percentage point	2.52	2.43	2.52

Summary of Accounting Data and Financial Indicators

Notes:

1. Since 2019, the Bank reclassified income of credit card installments from fee and commission income into interest income. The data for the same period in 2018 were restated.
2. Net assets per share attributable to ordinary shareholders of the Bank = (net assets attributable to equity shareholders of the Bank – preference shares related portion of other equity instruments)/total number of ordinary shares at the end of the period.
3. Basic earnings per ordinary share = net profit attributable to ordinary shareholders of the Bank/weighted average number of ordinary shares outstanding; net profit attributable to ordinary shareholders of the Bank=net profit attributable to equity shareholders of the Bank – dividends of the preference shares declared during the period.

The Bank distributed total dividends of the preference shares of RMB1.45 billion (before tax) for the year of 2019.

4. Diluted earnings per share = (net profit attributable to ordinary shareholders of the Bank + effect of dilutive potential ordinary shares on net profit attributable to ordinary shareholders of the Bank)/(weighted average number of ordinary shares outstanding + weighted average number of dilutive potential ordinary shares converted into ordinary shares).
5. Only including provision for impairment of loans measured at amortized cost.
6. Return on weighted average net assets = net profit attributable to ordinary shareholders of the Bank/weighted average net assets attributable to ordinary shareholders of the Bank.
7. Provision coverage ratio = (provision for impairment of loans and advances to customers measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/balance of NPLs.
8. Provision-to-loan ratio = (provision for impairment of loans measured at amortized cost + provision for impairment of loans at fair value through other comprehensive income)/total loans and advances to customers.

The above figures from 2, 3, 4 and 6 were calculated according to the *Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision)* issued by CSRC and the *Interpretation No.7 to the Accounting Standards for Enterprises* issued by MOF.



II. QUARTERLY OPERATING INDICATORS OF THE YEAR

Unit: RMB million

Item	Q1	Q2	Q3	Q4
Operating income	33,876	32,348	34,108	32,607
Net profit attributable to equity shareholders of the Bank	9,733	10,711	10,955	5,955
Net cash flows from operating activities	(32,197)	47,366	(24,011)	73,942

III. SUPPLEMENTARY FINANCIAL INDICATORS

Unit: %

Item	Standard value	31 December 2019	31 December 2018	31 December 2017
Liquidity ratio				
RMB	≥25	72.63	64.26	59.93
Foreign currency	≥25	93.29	62.15	62.45
Loan exposure to largest single customer ratio	≤10	1.86	2.12	1.29
Loan exposure to top ten customers ratio	≤50	10.91	11.88	10.00

Note: The above indicators were calculated on non-consolidation basis.

Summary of Accounting Data and Financial Indicators

IV. CAPITAL COMPOSITION AND CHANGES

The capital adequacy ratio (CAR) indicators were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Decree No.1 of CBRC in 2012) are as follows:

Unit: RMB million, %

Item	31 December 2019		31 December 2018		31 December 2017	
	Consolidated ¹	Non-consolidated	Consolidated ¹	Non-consolidated	Consolidated ¹	Non-consolidated
1. Net capital base ²	465,505	447,133	412,012	400,663	385,524	377,381
1.1 Common equity tier-1 capital	320,793	316,396	292,093	288,903	275,302	272,412
1.2 Common equity tier-1 capital deductions	(2,930)	(15,299)	(2,455)	(9,827)	(2,276)	(6,675)
1.3 Net common equity tier-1 capital ²	317,863	301,097	289,638	279,076	273,026	265,737
1.4 Additional tier-1 capital	65,002	64,906	30,021	29,947	30,012	29,947
1.5 Additional tier-1 capital deductions	-	-	-	-	-	-
1.6 Net tier-1 capital ²	382,865	366,003	319,659	309,023	303,038	295,684
1.7 Tier-2 capital	82,640	81,130	92,353	91,640	82,486	81,697
1.8 Tier-2 capital deductions	-	-	-	-	-	-
2. Credit risk-weighted assets	3,208,191	3,112,086	2,936,448	2,864,946	2,669,951	2,611,528
3. Market risk-weighted assets	38,523	36,770	44,913	44,358	12,210	13,074
4. Operational risk-weighted assets	209,340	205,952	185,307	182,654	174,639	172,143
5. Total risk-weighted assets	3,456,054	3,354,808	3,166,668	3,091,958	2,856,800	2,796,745
6. Common equity tier-1 CAR	9.20	8.98	9.15	9.03	9.56	9.50
7. Tier-1 CAR	11.08	10.91	10.09	9.99	10.61	10.57
8. CAR	13.47	13.33	13.01	12.96	13.49	13.49

Notes:

- All domestic and overseas branches, as well as invested financial institutions within the scope of consolidated management in accordance with the Capital Rules for Commercial Banks (Provisional), shall be included in the calculation of the consolidated CARs. Among these, the invested financial institutions within the scope of consolidated management include Everbright Financial Leasing Co., Ltd., Everbright Wealth Management Co., Ltd., CEB International Investment Corporation Limited, China Everbright Bank (Europe) S.A. Shaoshan Everbright Rural Bank Co., Ltd., Jiangsu Huai'an Everbright Rural Bank Co., Ltd. and Jiangxi Ruijin Everbright Rural Bank Co., Ltd.
- Net common equity tier-1 capital = common equity tier-1 capital – common equity tier-1 capital deductions; net tier-1 capital = net common equity tier-1 capital + additional tier-1 capital – additional tier-1 capital deductions; net capital base = net tier-1 capital + tier-2 capital – tier-2 capital deductions.
- The Bank has disclosed the full text of the 2019 Capital Adequacy Ratio Report. Please refer to the websites of SSE, HKEX and the Bank for details.

V. LEVERAGE RATIO

The leverage ratio indicators were calculated in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* (Decree No.1 of CBRC in 2015) are as follows:

Unit: RMB million, %

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Leverage ratio (%)	6.83	6.75	6.01	6.13
Net tier-1 capital	382,865	377,504	331,354	330,189
Adjusted balance of on- and off- balance sheet assets	5,607,516	5,595,877	5,516,302	5,385,120

Please refer to “Unaudited Supplementary Financial Information” for more details on leverage ratio.

VI. LIQUIDITY COVERAGE RATIO

The liquidity coverage ratio indicators calculated in accordance with the *Measures for the Administration of Liquidity Risk of Commercial Banks* (Decree No.3 of CBIRC in 2018) are as follows:

Unit: RMB million, %

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Liquidity coverage ratio	125.12	136.49	123.26	120.74
Eligible high quality liquid assets	630,894	526,179	527,549	479,683
Net cash outflow in the next 30 days	504,250	385,499	427,994	397,301

VII. NET STABLE FUNDING RATIO

Net stable funding ratio of the Bank measured according to the *Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks* (CBIRC [2019] No. 11) is as follows:

Unit: RMB million, %

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Available stable funding	2,693,533	2,698,839	2,594,154	2,512,740
Required stable funding	2,556,972	2,556,579	2,502,665	2,448,884
Net stable funding ratio	105.34	105.56	103.66	102.61

Please refer to “Unaudited Supplementary Financial Information” for more details on net stable funding ratio.

Business Overview of the Bank

I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS DURING THE REPORTING PERIOD

In 2019, the global economy slowed down and suffered from insufficient momentum of growth amid trade frictions, geopolitical tensions and other uncertainties. The world's central banks entered a rate-cut cycle, financial fragility continued to build up and risk aversion rose across global markets, still posing a downside risk to the economy.

China's economy remained on the track of healthy and stable development with an annual GDP growth of 6.1%, keeping within an appropriate range. But the marked upswing in risks and challenges at home and abroad put the Chinese economy under a higher downside pressure. High-quality development was persistently pursued by further deepening the supply-side structural reform. Major moves will be made in the reform and opening-up, effectively forestalling and defusing financial risks.

Central Bank implemented a prudent monetary policy focusing on countercyclical adjustment, impelled banks to replenish capital, and thereby maintained reasonable and sufficient liquidity in the banking system. It also flexibly applied monetary policy instruments to unblock the monetary policy transmission mechanism, and stepped up efforts to support the real economy. The interest rate liberalization went deeper and the market-based Renminbi exchange rate formation mechanism was improved. Financial risks were forestalled and defused, and the reform and opening-up in the financial sector were deepened.

CBIRC impelled financial institutions to serve the real economy more efficiently with better quality, strengthen their efforts to serve private enterprises and provide inclusive finance for small and micro businesses, with RMB loans and utilization of insurance funds growing reasonably. CBIRC managed to forestall and defuse financial risks, strengthened the management of non-performing assets, further reined in the shadow banking and crossover financial risks, and conducted sustained crackdown on market irregularities.

II. INDUSTRY LANDSCAPE AND STATUS OF THE BANK

In 2019, the Chinese banking sector saw continued efforts to forestall and defuse financial risks, deepened reform of key institutions and crucial fields and improved corporate governance mechanism. The banks in China established their wealth management subsidiaries successively to integrate finance with technology. Also, the Chinese banking sector opened wider to the outside world and kept boosting the quality and efficiency of serving the real economy. Better discipline was brought to the financial market.

The Bank remained committed to the principle of pursuing progress amid stability and seeking opportunities among changes, took value creation, high-quality development and efficiency as the core. Keeping in mind the mission of serving the real economy, forestalling financial risks and deepening financial reform, the Bank focused on the operation of key businesses, sped up the transformation towards “agility, technology and ecology” operations, advanced structural adjustments, strengthened Fintech-driven development and innovatively built Wealth E-SBU (CEB Ecological Collaborative Strategy). The Bank forestalled a variety of risk bottom lines, deepened the reform of systems and mechanisms across the board, enhanced the capability of high-quality development and endeavored to develop itself into a first-class wealth management bank.

III. DEVELOPMENT STRATEGY OF THE BANK

The Bank persisted in reforming, innovating and pursuing progress while ensuring stability in a bid to build a first-class wealth management bank and create greater value for its shareholders, customers and the larger community.

Keeping itself aligned with the state strategies, the Bank focused on serving the real economy, and leveraged on China Everbright Group's full range of financial service licenses, integration of financial and industrial resources and strengths in both Hong Kong and the mainland to strengthen intra-group coordination. The Bank developed the Wealth E-SBU to achieve healthy and efficient development.

The Bank cemented its distinctive characteristics in wealth management, seeking to become a “big, genuine and novel” wealth management bank that provides a broader range of more genuine and more technology-empowered wealth management services. The Bank kept enhancing its ability to create value as a wealth manager based on strong capability of product innovation, leading edge in Fintech, efficient coordination and strict risk control.

The Bank rode on the new trend of integrated finance and technology, made active efforts to build a digital development system driven by technological innovation, sped up digital transformation and strove to become a “digital bank” featuring mobile services, scenario-based customer acquisition, ecosystem-based platform, big data-based risk control and open systems.

Business Overview of the Bank

Column 1: Establish a New Wealth E-SBU Ecosystem

Finance ecosystem represents a novelty that has emerged in recent years alongside the rapid development of internet finance, Fintech and sharing economy. China Everbright Group introduced a new philosophy of strategic collaborative development including six E-SBUs. SBU stands for Strategic Business Unit. E has a three-faceted concept, namely, Ecosystem, Electronic and Everbright. The six E-SBUs are wealth management, investment banking, investment, tourism, health and environment protection.

Wealth E-SBU is an open E-SBU ecosystem built by the Bank on the strengths of China Everbright Group, with Fintech as its driver and internet platform as its mindset. It provides integrated financial service solutions for all customers who have wealth management needs, so as to meet their comprehensive, diverse and complex demands for financial services.

Wealth E-SBU consists of three sub-units (namely Corporate, Personal and Cloud Life) according to diverse customer dimension, with “1+4” as the core of the collaboration. “1” means being customer-centric, i.e. one Everbright entity serves one customer. “4” means the four dimensions of collaboration, i.e. customer migration, cross-selling, product innovation and comprehensive service.

2019 was the first year of CEB’s wealth E-SBU development. The Bank took the initiative in strengthening business coordination with other member entities of China Everbright Group without compromising compliance. The Bank recorded over RMB1.3 trillion in coordinated transactions regarding payroll service, cross-selling, asset management on behalf of customers and asset custody.

Customer migration: 44,000 new escrow accounts were opened with Everbright Securities Co. Ltd. Digital financial services introduced 2,558,000 new retail customers through open services.

Cross-selling: RMB63.8 billion worth of financial products were distributed on behalf of entities of China Everbright Group. Specifically, the Bank generated over RMB40 billion of products of China Everbright Xinglong Trust Co., Ltd. and earned RMB240 million of fee income. RMB2 billion of premium revenue was generated from distribution of products of Sun Life Everbright Life Insurance Co., Ltd., including RMB800 million of high-value regular premiums, the highest since the two sides started cooperation.

Coordinated products: The Bank developed E-SBU hit products in collaboration with China CYTS Tours Holding Co., Ltd. (“China CYTS Tours Holding”). The number of holders of the credit cards co-branded with China CYTS Tours Holding exceeded 1.2 million. The first Charming Hainan Tourism Festival directly translated into RMB30.85 billion of consumer spending in Hainan Province.

Comprehensive services: The Corporate sub-unit established a cross-entity flexible team providing comprehensive services for 25 wealth management clients, which realized over RMB1.6 billion worth of net income and RMB2.07 billion worth of comprehensive income from the Everbright Group’s strategic partner customers. The Personal sub-unit delivered remarkable results in the “family office” coordinated private banking service model, with the business scale expanding fast. The Cloud Life sub-unit witnessed a strong boost to the comprehensive service capacity of Cloud Fee Payment, driving up fee income rapidly.

IV. ANALYSIS ON CORE COMPETITIVENESS OF THE BANK

Distinguished background of shareholders engaged in diversified operation and coordinated development of finance and industry with a full range of financial licenses: China Everbright Group is a large financial holding group directly under the administration of the central government, and also one of the Fortune 500 companies across the world. The Group runs financial business in a diversity of forms, and possesses a full range of financial licenses. Meanwhile, setting foot in industrial sectors, the Group offers the Bank a platform to provide a full package of financial service and promote the coordinated development of finance and industry.

Unified Sunshine brand: Upholding the business philosophy of “Sharing Sunshine, Innovating Life” for many years, the Bank has stepped up its brand building efforts to create the “Sunshine” brand series. It has developed a favorable image in the market, gained fairly great reputation, and demonstrated considerable brand competitiveness.

Outstanding innovative DNA: The Bank was incorporated against the background of a competitive financial market just emerged in China, and it grew stronger in the pursuit of exploration and innovation. Inspired by innovation awareness, it secured impressively innovative achievements. With its innovative efforts, it became the first bank that launched the RMB wealth management product, the first one to be fully-licensed for running the national treasury business on an agency basis, and one of the first banks owning the dual qualifications for enterprise annuity custodian and account manager across the country. Besides, it forged China’s largest open-ended payment platform “Cloud Bill Payment” and endeavored to build Wealth E-SBU.

Advantages in some businesses: The Bank has obtained comparative advantages in wealth management business which was inspired by the objective of “building a first-class wealth management bank”. Its investment banking business segment as the first mover in the industry is able to provide corporate customers with comprehensive investment banking services. Its digital banking business has focused on building an open service system based on an open-ended platform, which has developed into an industry leading business model. Centering on customer services, the credit card business of the Bank has gained a superior position among its peers with rapid growth generated by means of technology-driven innovation and service-based image building. In addition, the Bank keeps improving its capabilities for value creation and high-quality development in retail business, and thus has secured remarkable advantages in aspect of contributing to operating income, total amount of retail customers, asset quality and other key indicators.

Prudent and efficient system for comprehensive risk management: Sticking to the principle of “all-round, whole-process, all staff participation”, the Bank keeps improving its risk management system and mechanism, proactively pushes forward the implementation of the New Basel Accord, and has established a sound and comprehensive risk management system which was able to deliver highly efficient risk management.

Advanced IT management and independent R&D capabilities: As the first Chinese commercial bank to realize “data centralization”, the Bank has led the industry in terms of safe operation and maintenance as well as technological support capabilities. In recent years, its independent R&D capability was continuously enhanced with the setting up of multiple platforms.

Business Overview of the Bank

V. REVIEW OF MAIN WORK OF THE BANK

i. The Bank effectively served the real economy

The Bank issued a series of policy measures in line with China's development strategies for key regions and held a special symposium in support of integrated development of the Yangtze River Delta. On- and off-balance sheet balance of credit for the coordinated development of the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze Economic Belt grew substantially. Xiongan Branch was opened for business, the first tier-two branch of a joint-stock bank to enter Xiongan New Area. The mandatory goal for loans granted to manufacturing sector was achieved. The balance of credit to private enterprises and the proportion of the number of private enterprise borrowers in the total were both on the rise. The Bank advanced market-oriented debt-for-equity swap, supported debt restructuring of private enterprises and helped reduce their leverage ratio and financial costs. The Bank helped micro and small businesses solve difficulties and high costs of financing and met the target of "two increase and two control".

ii. The Bank forestalled and defused financial risks

The Bank further reformed the risk management system and mechanism and clarified the duties of unified management in four aspects, namely unified policy, unified approval, unified monitoring and unified resolution, and implemented the requirements of managing loans strictly with an iron fist in accordance with the law and the "six strict" requirement (strict policy execution, strict institution management, strict staff management, strict process management, strict supervision and assessment and strict accountability). Meanwhile, the Bank strengthened the qualification and certification requirements for key positions in the credit approval team and the risk management, and improved the unified approval management system. The credit and investment policies were bettered to boost the guiding role of "positive lists" and rigid constraints imposed by "negative lists". The Bank also strengthened liquidity management, demonstrating conformity of liquidity coverage ratio, net stable funding ratio and other regulatory liquidity indicators. The Bank ranked No.1 among the joint-stock banks in the "Cybersecurity Initiative" organized by the public security authority of China.

iii. Developing new drivers of business growth

The Bank was named an occupational pension custodian for 30 provinces or municipalities, becoming the only joint-stock commercial bank awarded the contract in all these regions. The mobile banking APP and Sunshine Life APP witnessed their number of monthly active users on the continuous rise. Eight modules including insurance, securities, healthcare and tourism were opened on the customer interface of the Cloud Fee Payment platform. The Bank also advanced the Wealth E-SBU development by cooperating with member entities of China Everbright Group in various forms. What's more, the Bank carried out the technological investment doubling plan, pushing for digital transformation of the banking business through large-scale application of artificial intelligence, big data, blockchain and cloud computing technologies.

iv. The Bank continued to fortify the foundation for operation and management

The Bank established a system of comprehensive competitiveness evaluation indicators and effectively applied the benchmarking system in all the branches and business segments. Departmental functions were adjusted and the organizational structure for risk management was optimized. The Bank expanded the channels of personnel selection and promotion, selected personnel in key positions and divisional-level officers through the "Talent Selection Initiative", and appointed deputy general manager of tier-one branches through an open recruitment process. The system also improved the "officer promotion and demotion" mechanism to make it more performance-oriented. In addition, the Bank improved the allocation of financial resources, strengthened the asset and liability management and enhanced pricing management. RMB35 billion of preference shares were issued to strengthen capital base.

v. Technological innovation paid off as a driver of development

The Bank pursued digital transformation under the Fintech development strategy of empowering business transformation, underlying fundamental technological capacity and technology serving governance (“BTG”). The Bank set up flexible teams and established a remote research and development center and a joint research and innovation center. The number of launched new systems was nearly double the total for the previous two years. A Digital Fintech Lab was jointly established with China Xiong’an Group. New technology application was recognized across market, such as smart customer identification and accurate portraying applied on mobile banking, smart risk control advanced by “Reassuring Loan” based on big data application, big data analysis used to detect property clues on special assets resolution information system and the finance matching tool “Investment and Financing E”.

Discussion and Analysis of Operations

I. OVERALL OPERATION OF THE BANK

i. Assets and liabilities realized steady growth, and business structure kept improving

As at the end of the reporting period, total assets of the Group posted RMB4,733,431 million, representing an increase of RMB376,099 million or 8.63% as compared with those at the end of the previous year. Total loans and advances to customers stood at RMB2,712,204 million, representing a year-on-year increase of RMB290,875 million or 12.01%, accounting for 57.30% of the total assets, up 1.73 percentage points over the end of the previous year. Deposits from customers reached RMB3,017,888 million, representing a year-on-year increase of RMB445,927 million, up by 17.34%, accounting for 69.42% of the total liabilities, up by 5.68 percentage points year on year.

ii. Income recorded fast growth, and profitability improved remarkably

During the reporting period, operating income of the Group registered RMB132,939 million, a year-on-year increase of RMB22,553 million or up by 20.43%. Specifically, net interest income posted RMB101,918 million, up by RMB23,754 million or 30.39% year on year; net fee and commission income posted RMB23,169 million, an increase of RMB3,396 million or up by 17.17% year on year. Net profit of the Group reached RMB37,441 million, up RMB3,720 million or 11.03% as compared to the same period of last year.

iii. Asset quality kept improving, and risk resistance got intensified

As at the end of the reporting period, the Group's non-performing loans (NPLs) amounted to RMB42,212 million, a year-on-year increase of RMB3,791 million. NPL ratio reported 1.56%, down by 0.03 percentage point as compared with the end of the previous year. Provision coverage ratio reached 181.62%, up by 5.46 percentage points over the end of the previous year. Risk indicators remained stable while expected improvement.

iv. Capital management made achievements, and capital adequacy ratio maintained a fairly high level

As at the end of the reporting period, the Group's CAR, tier-1 CAR and common equity tier-1 CAR was 13.47%, 11.08% and 9.20% respectively, all better than the regulatory requirements.



II. INCOME STATEMENT ANALYSIS

i. Changes in items of income statement

Unit: RMB million			
Item	2019	2018 (restated) ^{Note}	Change
Net interest income ^{Note}	101,918	78,164	23,754
Net fee and commission income ^{Note}	23,169	19,773	3,396
Net trading gains	585	1,071	(486)
Dividend income	42	8	34
Net gains arising from investment securities	4,900	9,862	(4,962)
Net foreign exchange gains	1,339	724	615
Other net operating income	986	784	202
Operating expenses	38,429	33,706	4,723
Impairment losses on assets	49,347	35,828	13,519
Profit before tax	45,163	40,852	4,311
Income tax	7,722	7,131	591
Net profit	37,441	33,721	3,720
Net profit attributable to equity shareholder of the Bank	37,354	33,659	3,695

Note: As of 1 January 2019, the Group reclassified the income of credit card installments into interest income rather than fee and commission income. The data for the same period in 2018 were restated.

ii. Operating income

During the reporting period, the Group incurred an operating income of RMB132,939 million, a year-on-year increase of RMB22,553 million or 20.43%. Net interest income accounted for 76.67%, up by 5.86 percentage points year on year. Net fee and commission income accounted for 17.43%, down by 0.48 percentage point year on year.

Unit: %		
Item	2019	2018 (restated)
Proportion of net interest income	76.67	70.81
Proportion of net fee and commission income	17.43	17.91
Proportion of other income	5.90	11.28
Proportion in total operating income	100.00	100.00

Discussion and Analysis of Operations

iii. Net interest income

During the reporting period, the Group's net interest income stood at RMB101,918 million, a year-on-year increase of RMB23,754 million or up by 30.39%.

The Group's net interest spread reported 2.18%, a year-on-year increase of 27 BPs. Its net interest margin was 2.31%, up by 34 basic points year on year, mainly due to the improved asset and liability structure and the decline in cost of interest-bearing liabilities.

Unit: RMB million, %

Item	2019			2018 (restated)		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
Interest-earning assets						
Loans and advances to customers	2,577,493	145,452	5.64	2,240,476	122,108	5.45
Finance lease receivables	76,927	4,444	5.78	62,884	3,379	5.37
Investment	1,128,832	48,073	4.26	1,038,958	45,870	4.42
Deposits with the central bank	344,856	5,020	1.46	343,107	5,100	1.49
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	287,289	7,055	2.46	274,211	9,231	3.37
Total interest-earning assets	4,415,397	210,044	4.76	3,959,636	185,688	4.69
Interest income		210,044			185,688	
Interest-bearing liabilities						
Deposits from customers	2,809,308	63,954	2.28	2,375,749	51,026	2.15
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	967,362	28,951	2.99	1,071,909	38,264	3.57
Debt securities issued	412,023	15,221	3.69	422,935	18,234	4.31
Total interest-bearing liabilities	4,188,693	108,126	2.58	3,870,593	107,524	2.78
Interest expenses		108,126			107,524	
Net interest income		101,918			78,164	
Net interest spread¹			2.18			1.91
Net interest margin²			2.31			1.97

Notes:

1. Net interest spread is the difference between the average yield of interest-earning assets and the average cost of interest-bearing liabilities;
2. Net interest margin is the net interest income divided by the average balance of interest-earning assets.

The following table sets forth the changes in interest income and interest expenses of the Group due to changes in business scale and interest rate.

Unit: RMB million

Item	Scale factor	Interest rate factor	Change in interest
Loans and advances to customers	19,018	4,326	23,344
Finance lease receivables	811	254	1,065
Investment	3,827	(1,624)	2,203
Deposits with the central bank	25	(105)	(80)
Placements and deposits with banks and other financial institutions, and financial assets held under resale agreements	321	(2,497)	(2,176)
Interest-earning assets	21,681	2,675	24,356
Changes in interest income			24,356
Deposits from customers	9,870	3,058	12,928
Placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements	(3,129)	(6,184)	(9,313)
Debt securities issued	(403)	(2,610)	(3,013)
Interest-bearing liabilities	8,211	(7,609)	602
Changes in interest expenses			602
Net interest income			23,754

iv. Interest income

During the reporting period, the Group yielded an interest income of RMB210,044 million, a year-on-year increase of RMB24,356 million or up by 13.12%. Such increase was mainly attributed to the growing interest income from loans and advances to customers.

1. Interest income from loans and advances to customers

During the reporting period, the Group's interest income from loans and advances to customers amounted to RMB145,452 million, a year-on-year increase of RMB23,344 million or up by 19.12%. Such increase was mainly due to the expanding loan scale and the increasing loan yield.

Unit: RMB million, %

Item	2019			2018 (restated)		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	1,424,390	70,854	4.97	1,276,160	61,585	4.83
Personal loans	1,097,074	72,578	6.62	939,208	59,247	6.31
Discounted bills	56,029	2,020	3.61	25,108	1,276	5.08
Loans and advances to customers	2,577,493	145,452	5.64	2,240,476	122,108	5.45

Discussion and Analysis of Operations

2. Interest income from investment

During the reporting period, the Group's interest income from investment amounted to RMB48,073 million, a year-on-year increase of RMB2,203 million or up by 4.80%. Such increase was due to the expanding investment scale.

3. Interest income from placements and deposits with banks and other financial institutions, and financial assets held under resale agreements

During the reporting period, the Group's interest income from placements and deposits with banks and other financial institutions and financial assets held under resale agreements amounted to RMB7,055 million, a year-on-year decrease of RMB2,176 million or down by 23.57%. The drop was mainly attributed to the decrease of yield of such assets.

v. Interest expenses

During the reporting period, the Group's interest expenses amounted to RMB108,126 million, representing a year-on-year increase of RMB602 million or up by 0.56%. Such increase was mainly due to the growing interest expenses arising from deposits from customers.

1. Interest expenses on deposits from customers

During the reporting period, the Group's interest expenses on deposits from customers amounted to RMB63,954 million, a year-on-year increase of RMB12,928 million or up by 25.34%. Such increase was mainly due to the expanding scale of deposits from customers and rising interest rates.

Unit: RMB million, %

Item	2019			2018		
	Average balance	Interest expenses	Average cost ratio	Average balance	Interest expenses	Average cost ratio
Corporate deposits	2,150,995	47,074	2.19	1,856,309	39,161	2.11
Demand deposits	755,700	5,738	0.76	706,571	5,234	0.74
Time deposits	1,395,295	41,336	2.96	1,149,738	33,927	2.95
Personal deposits	658,313	16,880	2.56	519,440	11,865	2.28
Demand deposits	194,337	811	0.42	177,391	728	0.41
Time deposits	463,976	16,069	3.46	342,049	11,137	3.26
Total deposits from customers	2,809,308	63,954	2.28	2,375,749	51,026	2.15

2. Interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements

During the reporting period, the Group's interest expenses on placements and deposits from banks and other financial institutions, and financial assets sold under repurchase agreements registered RMB28,951 million, down by RMB9,313 million or 24.34% year on year. The decrease was mainly attributed to the declining scale and inter-bank interest rates.

3. Interest expenses on debt securities issued

During the reporting period, the Group's interest expenses on debt securities issued totaled RMB15,221 million, a year-on-year decrease of RMB3,013 million or down by 16.52%. Such decrease was mainly due to the decrease of the interest rates on debt securities issued.

vi. Net fee and commission income

During the reporting period, net fee and commission income of the Group was RMB23,169 million, a year-on-year increase of RMB3,396 million or up by 17.17%. Such rise was mainly due to the notable increase in bank card service fees, which grew by RMB2,640 million or 22.91% year on year.

Item	Unit: RMB million	
	2019	2018 (restated)
Fee and commission income	25,977	22,431
Underwriting and advisory fees	1,909	1,594
Bank card service fees	14,163	11,523
Settlement and clearing fees	1,538	1,279
Wealth management service fees	634	876
Acceptance and guarantee fees	1,360	1,120
Agency services fees	2,744	2,734
Custody and other fiduciary business fees	1,446	1,358
Others	2,183	1,947
Fee and commission expenses	(2,808)	(2,658)
Net fee and commission income	23,169	19,773

vii. Other income

During the reporting period, the Group's other income stood at RMB7,852 million, representing a year-on-year decrease of RMB4,597 million. The decrease was mainly due to the decrease of net gains arising from investment securities.

Item	Unit: RMB million	
	2019	2018
Net trading gains	585	1,071
Dividend income	42	8
Net gains arising from investment securities	4,900	9,862
Net foreign exchange gains	1,339	724
Other operating income	986	784
Total	7,852	12,449

Discussion and Analysis of Operations

viii. Operating expenses

During the reporting period, the Group incurred operating expenses of RMB38,429 million, an increase of RMB4,723 million or up by 14.01% year on year. Cost-to-income ratio stood at 27.85%, down by 1.63 percentage points year on year.

Item	Unit: RMB million	
	2019	2018
Staff costs	18,401	16,869
Premises and equipment expenses	5,718	5,017
Tax and surcharges	1,400	1,165
Others	12,910	10,655
Total operating expenses	38,429	33,706

ix. Impairment losses on assets

During the reporting period, the Group pursued objective and prudent provisioning policy, continued to consolidate the provision foundation and increased risk resistance. It sustained impairment losses on assets totaling RMB49,347 million, representing a year-on-year increase of RMB13,519 million or up by 37.73%.

Item	Unit: RMB million	
	2019	2018
Impairment losses on loans and advances to customers	47,786	34,345
Loans and advances to customers measured at amortized cost	47,821	34,714
Loans and advances to customers at fair value through other comprehensive income	(35)	(369)
Debt instruments at fair value through other comprehensive income	439	58
Financial investments measured at amortized cost	(314)	485
Impairment losses on finance lease receivables	752	170
Others	684	770
Total impairment losses on assets	49,347	35,828

x. Income tax

During the reporting period, the Group incurred an income tax of RMB7,722 million, an increase of RMB591 million or up by 8.29% year on year, which is mainly due to the increase in operating profit.

III. BALANCE SHEET ANALYSIS

i. Assets

As at the end of the reporting period, the Group's total assets reached RMB4,733,431 million, an increase of RMB376,099 million or 8.63% as compared with the end of the previous year, mainly due to the increase in loans and advances to customers.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Total loans and advances to customers	2,712,204		2,421,329	
Loan accrued interest	8,160		7,158	
Allowance for impairment of loans ^{Note}	(76,228)		(67,209)	
Net loans and advances to customers	2,644,136	55.86	2,361,278	54.19
Finance lease receivables	83,723	1.77	63,333	1.45
Deposits with banks and other financial institutions	31,358	0.66	41,005	0.94
Cash and deposits with the central bank	364,340	7.70	366,575	8.41
Investment in securities and other financial assets	1,447,351	30.57	1,316,292	30.21
Precious metals	10,826	0.23	23,628	0.54
Placements with banks and other financial institutions, and financial assets held under resale agreements	67,105	1.42	134,458	3.09
Fixed assets	19,342	0.41	18,241	0.42
Right-of-use assets	11,684	0.25	N/A	N/A
Goodwill	1,281	0.03	1,281	0.03
Deferred tax assets	16,306	0.34	10,794	0.25
Other assets	35,979	0.76	20,447	0.47
Total assets	4,733,431	100.00	4,357,332	100.00

Notes: It only includes provision for impairment of loans measured at amortized cost.

Discussion and Analysis of Operations

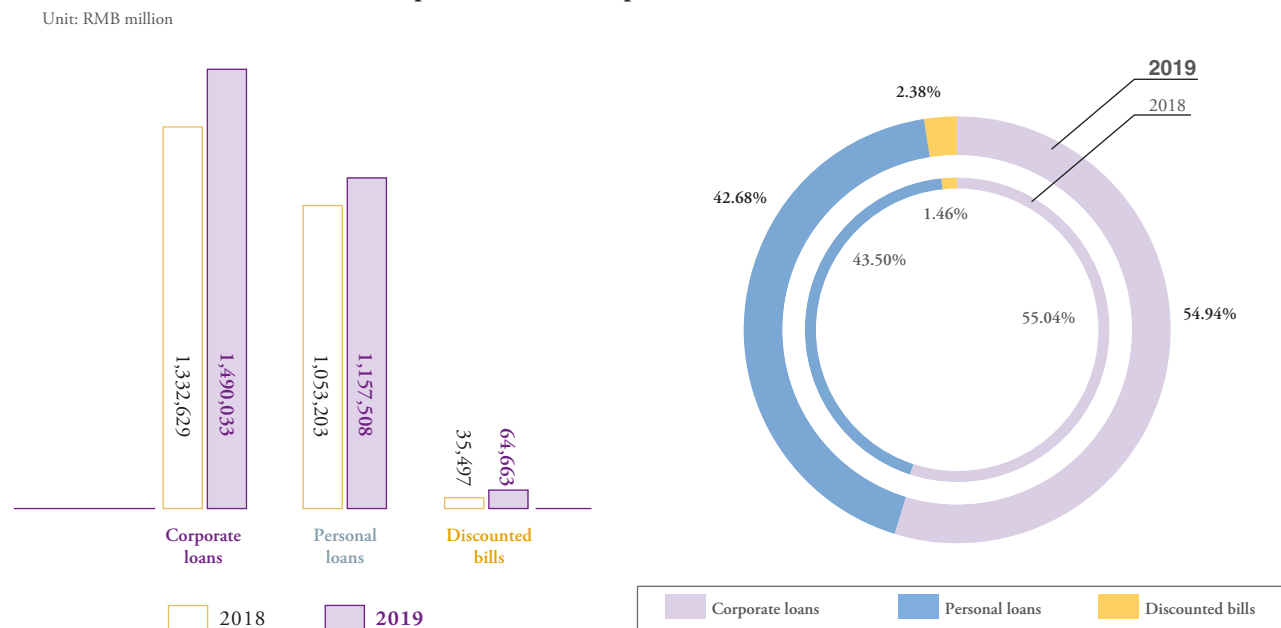
1. Loans and advances to customers

As at the end of the reporting period, the Group's total loans and advances to customers were RMB2,712,204 million, an increase of RMB290,875 million or 12.01% as compared with the end of the previous year. The proportion of net loans and advances to customers in total assets was 55.86%, an increase of 1.67 percentage points year on year.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Corporate loans	1,490,033	54.94	1,332,629	55.04
Personal loans	1,157,508	42.68	1,053,203	43.50
Discounted bills	64,663	2.38	35,497	1.46
Gross loans and advances to customers	2,712,204	100.00	2,421,329	100.00

As of the end of the reporting period, the major components of the Group's loans and advances



2. Investment in securities and other financial assets

As at the end of the reporting period, the Group's investment in securities and other financial assets totaled RMB1,447,351 million, an increase of RMB131,059 million as compared with the end of the previous year, accounting for 30.57% of total assets, up 0.36 percentage point year on year.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	211,406	14.61	222,737	16.92
Derivative financial assets	13,805	0.95	15,212	1.16
Debt instruments at fair value through other comprehensive income	180,005	12.44	153,987	11.70
Financial investments measured at amortized cost	1,041,512	71.96	923,989	70.19
Equity instruments at fair value through other comprehensive income	623	0.04	367	0.03
Total investment in securities and other financial assets	1,447,351	100.00	1,316,292	100.00

3. Types and amounts of financial bonds held

As at the end of the reporting period, the financial bonds held by the Group amounted to RMB301,520 million, up RMB70,081 million over the end of the previous year. Of these, the financial bonds measured at amortized cost occupied a proportion of 77.45% in the total.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	8,792	2.91	4,442	1.92
Financial investments measured at amortized cost	233,514	77.45	178,719	77.22
Debt instruments at fair value through other comprehensive income	59,214	19.64	48,278	20.86
Total financial bonds held	301,520	100.00	231,439	100.00

Discussion and Analysis of Operations

4. Top 10 financial bonds held in scale

Unit: RMB million, %

Name of bond	Nominal value	Annual interest rate	Maturity date	Allowance for impairment losses
Bond 1	15,820	4.98	12 January 2025	–
Bond 2	15,010	4.04	10 April 2027	–
Bond 3	12,950	4.39	8 September 2027	–
Bond 4	10,870	4.73	2 April 2025	–
Bond 5	10,810	4.24	24 August 2027	–
Bond 6	10,290	3.86	20 May 2029	–
Bond 7	10,260	3.05	25 August 2026	–
Bond 8	9,970	3.74	10 September 2025	–
Bond 9	6,210	3.18	5 April 2026	–
Bond 10	5,770	4.65	11 May 2028	–

5. Goodwill

The cost of the Group's goodwill stood at RMB6,019 million. As at the end of the reporting period, the allowance for impairment losses on goodwill reported RMB4,738 million, and the book value of goodwill registered RMB1,281 million, the same as that at the end of the previous year.

6. As at the end of the reporting period, there was no seizure, attachment, freezing or mortgage or pledge of the Bank's principal assets.

ii. Liabilities

As at the end of the reporting period, the Group's total liabilities reached RMB4,347,377 million, an increase of RMB312,518 million or 7.75% as compared with the end of the previous year, mainly due to the increase in deposits from customers.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Due to the central bank	224,838	5.17	267,193	6.62
Deposits from customers	3,017,888	69.42	2,571,961	63.74
Deposits from banks and other financial institutions	444,320	10.23	490,091	12.15
Placement from banks and other financial institutions and financial assets sold under repurchase agreements	191,828	4.41	192,448	4.77
Financial liabilities at fair value through profit or loss	100	0.00	354	0.01
Derivative financial liabilities	13,893	0.32	14,349	0.36
Accrued staff costs	8,007	0.18	8,028	0.20
Taxes payable	9,322	0.21	5,666	0.14
Lease liabilities	11,069	0.25	N/A	N/A
Debt securities issued	371,904	8.56	440,449	10.92
Other liabilities	54,208	1.25	44,320	1.09
Total liabilities	4,347,377	100.00	4,034,859	100.00

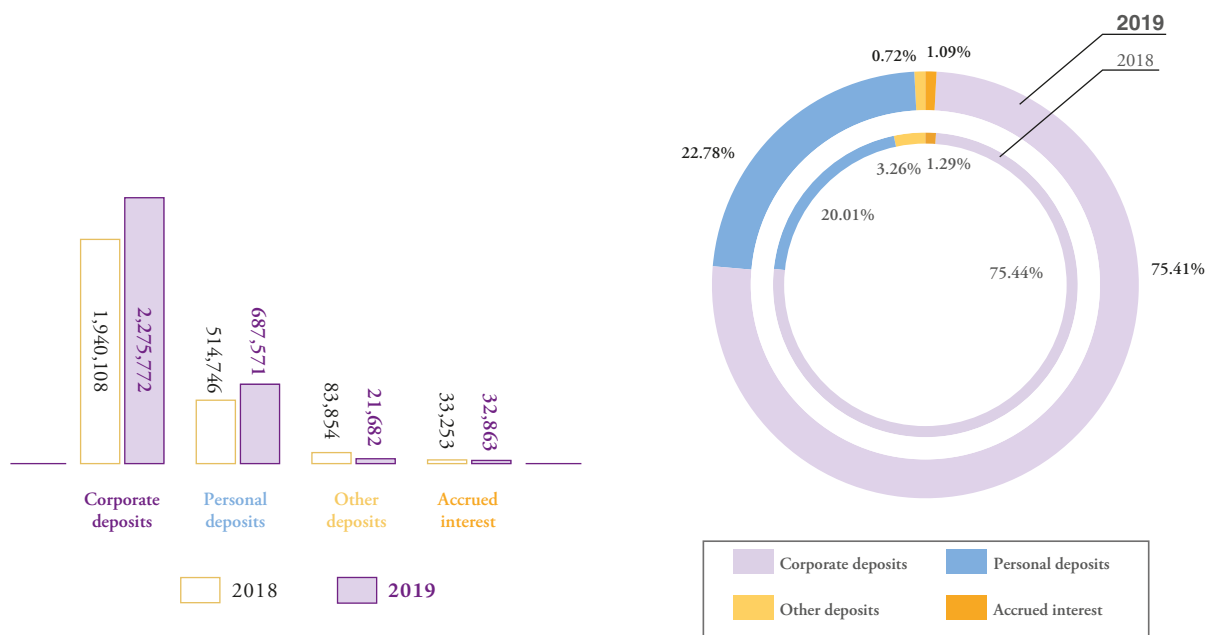
As at the end of the reporting period, the balance of the Group's deposits from customers reached RMB3,017,888 million, representing an increase of RMB445,927 million or 17.34%, as compared with the end of the previous year.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Corporate deposits	2,275,772	75.41	1,940,108	75.44
Demand deposits	783,859	25.97	732,628	28.49
Time deposit	1,491,913	49.44	1,207,480	46.95
Personal deposits	687,571	22.78	514,746	20.01
Demand deposits	221,158	7.33	194,434	7.56
Time deposits	466,413	15.45	320,312	12.45
Other deposits	21,682	0.72	83,854	3.26
Accrued interest	32,863	1.09	33,253	1.29
Total deposits from customers	3,017,888	100.00	2,571,961	100.00

As at end of the reporting period,
the components of the Group's deposits

Unit: RMB million



Discussion and Analysis of Operations

iii. Equity of shareholders

As at the end of the reporting period, the equity attributable to shareholders of the Group amounted to RMB384,982 million, a year-on-year increase of RMB63,494 million. The increase was mainly due to the issuance of preference shares and profit realized in the current period.

Item	Unit: RMB million	
	31 December 2019	31 December 2018
Share capital	52,489	52,489
Other equity instruments	70,067	35,108
Capital reserve	53,533	53,533
Other comprehensive income	2,737	1,655
Surplus reserve	26,245	24,371
General reserve	59,417	54,036
Retained earnings	120,494	100,296
Total equity attributable to equity shareholders of the Bank	384,982	321,488
Non-controlling interests	1,072	985
Total equity	386,054	322,473

iv. Off-balance sheet items

The Group's off-balance sheet items are mainly credit commitments, including loan and credit card commitments, bank's acceptance bills, letters of guarantee, letters of credit and guarantees. As at the end of the reporting period, the total amount of credit commitments was RMB1,287,496 million, an increase of RMB275,905 million as compared with that as at the end of the previous year.

Item	Unit: RMB million	
	31 December 2019	31 December 2018
Loan and credit card commitments	323,743	279,184
Bank's acceptance bills	609,169	477,110
Letters of guarantee	128,746	123,416
Letters of credit	225,653	131,696
Guarantees	185	185
Total credit commitments	1,287,496	1,011,591

IV. CASH FLOW ANALYSIS

The Group's net cash inflows from operating activities amounted to RMB65,100 million. Specifically, cash inflows generated from operating activities reported RMB60,414 million, cash outflows arising from changes in operating assets stood at RMB365,209 million, and cash inflows arising from changes in operating liabilities totaled RMB369,895 million.

The Group's net cash outflows from investing activities amounted to RMB74,423 million, of which cash inflows generated from disposal and redemption of investments reported RMB637,019 million and cash outflows arising from acquisition of investment amounted to RMB766,714 million.

The Group's net cash outflows from financing activities were RMB61,453 million, of which cash outflows generated from payment of debt principal registered RMB68,034 million.

V. ANALYSIS OF LOAN QUALITY

i. Distribution of loans by industry

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Manufacturing	270,177	18.14	248,914	18.68
Water, environment and public utility management	261,465	17.55	222,568	16.70
Real estate	211,918	14.22	192,075	14.41
Leasing and commercial services	170,068	11.42	150,159	11.27
Wholesale and retail trade	113,140	7.59	111,021	8.33
Construction	94,793	6.36	71,435	5.36
Transportation, storage and postal services	87,226	5.85	94,783	7.11
Finance	76,907	5.16	74,177	5.57
Production and supply of power, gas and water	45,948	3.08	43,638	3.27
Agriculture, forestry, animal husbandry and fishery	41,459	2.78	32,356	2.43
Others ^{Note}	116,932	7.85	91,503	6.87
Subtotal of corporate loans	1,490,033	100.00	1,332,629	100.00
Personal loans	1,157,508		1,053,203	
Discounted bills	64,663		35,497	
Total loans and advances to customers	2,712,204		2,421,329	

Note: "Others" consist of mining; accommodation and catering; public administration and social organizations; information transmission, computer services and software; health, social security and social welfare; resident services and other services; scientific research, technical services and geological prospecting; culture, sports and recreation; education.

ii. Distribution of loans by region

Unit: RMB million, %

Region	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	556,102	20.49	478,383	19.76
Central	447,249	16.49	382,965	15.82
Bohai Rim	349,559	12.89	341,728	14.11
Western	348,706	12.86	325,532	13.44
Pearl River Delta	341,541	12.59	291,896	12.06
Northeastern	121,928	4.50	119,667	4.94
Head Office	450,945	16.63	403,118	16.65
Overseas	96,174	3.55	78,040	3.22
Total loans and advances to customers	2,712,204	100.00	2,421,329	100.00

Discussion and Analysis of Operations

iii. Types of loan collateral and their proportions

The Group's guaranteed loans, mortgage loans and pledged loans combined accounted for 68.55% of the total, and the remaining unsecured loans were mainly granted to customers with relatively high credit ratings.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Unsecured loans	852,885	31.45	778,691	32.16
Guaranteed loans	637,315	23.50	563,293	23.26
Mortgage loans	862,021	31.78	814,026	33.62
Pledged loans	359,983	13.27	265,319	10.96
Total loans and advances to customers	2,712,204	100.00	2,421,329	100.00

iv. Top ten loan customers

Unit: RMB million, %

Name	Industry	Balance of principal of loans and advances as at 31 December 2019	Proportion in total loans	Proportion in net capital ¹
Borrower 1	Manufacturing	8,641	0.33	1.86
Borrower 2 ²	Leasing and commercial services	6,900	0.25	1.48
Borrower 3	Real estate	5,872	0.22	1.26
Borrower 4	Manufacturing	5,757	0.21	1.24
Borrower 5	Mining	4,900	0.18	1.05
Borrower 6	Real estate	4,177	0.15	0.90
Borrower 7	Finance services	4,070	0.15	0.87
Borrower 8	Manufacturing	3,640	0.13	0.78
Borrower 9	Water, environment and public utility management	3,575	0.13	0.77
Borrower 10	Transportation, storage and postal services	3,275	0.12	0.70
Total amount		50,807	1.87	10.91

Notes:

1. The proportion of the balance of loans in net capital is calculated according to the requirements of CBIRC.
2. Borrower 2 is a connected party of the Bank and has conducted a connected transaction with the Bank.

v. Five-category loan classification

As at the end of the reporting period, the balance of NPLs reported RMB42,212 million, an increase of RMB3,791 million as compared with the end of the previous year. The NPL ratio was 1.56%, down by 0.03 percentage point from the end of the previous year.

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Normal	2,609,993	96.23	2,324,565	96.00
Special mention	59,999	2.21	58,343	2.41
Substandard	23,466	0.87	17,392	0.72
Doubtful	12,049	0.44	14,437	0.60
Loss	6,697	0.25	6,592	0.27
Total loans and advances to customers	2,712,204	100.00	2,421,329	100.00
Performing loans	2,669,992	98.44	2,382,908	98.41
Non-performing loans	42,212	1.56	38,421	1.59

vi. Loan migration ratio

Unit: %

Item	2019	2018	Change from 2018 to 2019	2017
Migration ratio of pass loans	2.57	1.94	+0.63 percentage point	1.68
Migration ratio of special mention loans	42.83	38.48	+4.35 percentage point	22.49
Migration ratio of substandard loans	86.04	68.71	+17.33 percentage point	57.69
Migration ratio of doubtful loans	66.74	32.80	+33.94 percentage point	36.18

vii. Restructured loans and overdue loans

1. Restructured loans

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Proportion in total principal of loans and advances	Balance	Proportion in total principal of loans and advances
Restructured loans and advances to customers	11,888	0.44	15,788	0.65
Of which: Restructured loans and advances to customers overdue more than 90 days	898	0.03	801	0.03

Discussion and Analysis of Operations

2. Overdue loans

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Overdue for less than 3 months	27,637	44.91	24,591	43.23
Overdue for between 3 months and 1 year	22,493	36.55	21,317	37.47
Overdue for between 1 year and 3 years	9,307	15.12	8,656	15.21
Overdue for more than 3 years	2,107	3.42	2,325	4.09
Total principal of overdue loans	61,544	100.00	56,889	100.00

viii. NPLs by business type

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Corporate loans	26,223	62.12	26,071	67.86
Personal loans	15,989	37.88	12,350	32.14
Discounted bills	—	—	—	—
Total NPLs	42,212	100.00	38,421	100.00

ix. Distribution of NPLs by region

Unit: RMB million, %

Region	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Yangtze River Delta	6,831	16.18	5,599	14.57
Bohai Rim	5,797	13.73	9,196	23.94
Central	5,031	11.92	4,477	11.65
Western	4,951	11.73	4,398	11.45
Northeastern	4,912	11.64	2,419	6.30
Pearl River Delta	4,155	9.84	4,516	11.75
Head Office	10,527	24.94	7,808	20.32
Overseas	8	0.02	8	0.02
Total NPLs	42,212	100.00	38,421	100.00

x. Distribution of NPLs by industry

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Manufacturing	12,605	29.86	15,086	39.27
Wholesale and retail trade	5,141	12.18	6,862	17.86
Accommodation and catering	2,280	5.40	1,252	3.26
Mining	1,155	2.74	574	1.49
Transportation, storage and postal service	979	2.32	146	0.38
Real estate	951	2.25	576	1.50
Leasing and commercial services	926	2.19	2	0.01
Construction	741	1.76	693	1.80
Production and supply of power, gas and water	640	1.52	278	0.72
Information transmission, computer services and software	192	0.45	336	0.88
Others ^{Note}	613	1.45	266	0.69
Subtotal of corporate loans	26,223	62.12	26,071	67.86
Personal loans	15,989	37.88	12,350	32.14
Discounted bills	—	—	—	—
Total NPLs	42,212	100.00	38,421	100.00

Note: "Others" consist of health, social security and social welfare; scientific research, technical services and geological prospecting; finance; public administration and social organization; water, environment and public utility management; Agriculture, forestry, animal husbandry and fishery, and education.

xi. Distribution of NPLs by collateral type

Unit: RMB million, %

Item	31 December 2019		31 December 2018	
	Balance	Percentage	Balance	Percentage
Unsecured loans	13,339	31.60	9,764	25.41
Guaranteed loans	12,444	29.47	14,327	37.30
Mortgage loans	13,396	31.74	12,465	32.44
Pledged loans	3,033	7.19	1,865	4.85
Total NPLs	42,212	100.00	38,421	100.00

Discussion and Analysis of Operations

xii. Repossessed assets and provision for impairment

Item	Unit: RMB million	
	31 December 2019	31 December 2018
Reposessed assets	517	469
Of which: land, buildings and structures	517	469
Less: provision for impairment	(39)	(11)
Net value of reposessed assets	478	458

xiii. Provision for loan impairment losses and write-off

After conducting credit risk test on financial instruments on the balance sheet date, the Group made provision for the estimated credit loss for loans of varied risk levels according to their potential risk based on the expected credit loss model and such quantitative risk parameters as PD and LGD of customers. The provision for impairment losses was recognized through profit or loss for the current period.

Item	Unit: RMB million	
	As of 31 December 2019	As of 31 December 2018
Balance at the beginning of the year ¹	67,209	58,071
Charge for the year ²	53,396	38,867
Release for the year	(5,575)	(4,153)
Recoveries due to written-off loans and advances for the year	2,428	1,527
Unwinding of discount ³	(828)	(792)
Write-offs during the year	(26,576)	(16,162)
Disposal in the year	(13,826)	(10,149)
Balance at the end of the year ¹	76,228	67,209

Notes:

1. It excludes provision for impairment of discounted bills and domestic forfeiting at fair value through other comprehensive income.
2. It includes provision for impairment of loans made due to change of stage and change in cash flow resulting in loan contract being not derecognized.
3. It refers to cumulative interest income of impaired loans due to the subsequent increase in present value over time.

xiv. Disposal of non-performing assets and write-off policies for bad debts

To maximize the value of non-performing assets, the Bank changed the Special Assets Resolution Department to the Special Assets Operation and Management Department, so as to strengthen the unified resolution management, streamline the process of non-performing assets disposal and raise the disposal efficiency. What's more, the Bank accelerated the technological empowerment, and pushed forward the building of a special assets resolution information system. It also adopted new approaches of non-performing assets disposal, broadened disposal channels and developed a disposal ecosystem.

The Bank further strengthened the write-off management of bad debts, and wrote off bad debts as far as possible. Pursuant to the *Administrative Measures on Write-off of Bad Debts for Financial Enterprises (2017 revision)* issued by MOF, the Bank referred to the principle of conforming to identified conditions and providing with efficient evidence, made the write-off management more standardized, IT-based and efficient. With assets written down but creditor's rights kept while debts under consistent recovery, the Bank reinforced the refined management of written-off debts to maximize the recovery value.

During the reporting period, the Bank disposed NPLs amounting to RMB44,805 million, an increase of RMB15,229 million over the previous year. Specifically, the Bank wrote off bad debts of RMB22,776 million and completed the transfer of creditor's rights valuing RMB11,556 million, the conversion of bonds to shares valuing RMB5,596 million and the asset securitization of RMB4,877 million. Besides, the Bank recovered NPLs in cash amounting to RMB10,997 million.

VI. CAR ANALYSIS

Please refer to Section Five "Key Accounting Data and Financial Indicators" and *Capital Adequacy Ratio Report 2019* issued by the Bank for details.

VII. SEGMENT PERFORMANCE

The Group divided its business into different segments by geographical area and business line for management purpose. Fund lending between different regional and business segments was conducted at an internal transfer price determined on the basis of market interest rate, and interest income and interest expenses among segments were recognized.

i. Performance by regional segment

Item	2019		2018	
	Operating income	Profit before tax	Operating income	Profit before tax
Yangtze River Delta	23,837	10,369	18,056	5,381
Pearl River Delta	18,419	4,805	14,180	3,680
Bohai Rim	20,936	2,885	16,163	929
Central	22,031	7,285	16,125	3,493
Western	15,912	3,294	12,111	2,727
Northeastern	6,638	19	5,198	93
Head Office	22,908	15,014	26,901	23,527
Overseas	2,258	1,492	1,652	1,022
Total	132,939	45,163	110,386	40,852

Unit: RMB million

Discussion and Analysis of Operations

ii. Performance by business segments

Unit: RMB million

Item	2019		2018	
	Operating income	Profit before tax	Operating income	Profit before tax
Corporate banking	53,275	16,670	44,836	7,958
Retail banking	54,683	5,897	46,518	16,855
Financial market business	24,765	22,532	18,935	16,034
Other business	216	64	97	5
Total	132,939	45,163	110,386	40,852

Please refer to “Notes to Consolidated Financial Statements” for details.

VIII. OTHERS

i. Changes in major financial indicators and reasons for these changes

Unit: RMB million, %

Item	31 December 2019	31 December 2018	Increase/ (Decrease)	Major reasons for change
Precious metals	10,826	23,628	(54.18)	The precious metals held scaled down.
Placements with banks and other financial institutions	60,270	96,685	(37.66)	Decrease in placements with non- deposit-taking financial institutions
Financial assets held under resale agreements	6,835	37,773	(81.91)	Decrease in bonds held under resale agreements
Finance lease receivables	83,723	63,333	32.19	Increase in finance lease receivables
Right-of-use assets	11,684	N/A	N/A	Adding new items according to IFRS16
Deferred tax assets	16,306	10,794	51.07	Increase in deferred tax assets
Other assets	35,979	20,447	75.96	Increase in the amount to be cleared
Financial assets sold under repurchase agreements	25,603	40,411	(36.64)	Decrease in bonds sold under repurchase agreements
Tax payable	9,322	5,666	64.53	Increase in income tax
Lease liabilities	11,069	N/A	N/A	Adding new items according to IFRS16
Other equity instruments	70,067	35,108	99.58	Issuance of preference shares
Other comprehensive income	2,737	1,655	65.38	Increase in fair value revaluation and impairment on debt instruments at fair value through other comprehensive income

Item	January-December 2019	January-December 2018 (restated)	Increase/(Decrease)	Major reasons for change
Net interest income	101,918	78,164	30.39	Increase in interest-earning assets and improvement of net interest margin
Net gains arising from investment securities	4,900	9,862	(50.31)	Decrease in gains from investment securities
Net trading gains	1,339	724	84.94	Increase in net foreign exchange gains
Credit impairment losses	48,965	35,744	36.99	Increase in credit allowance set aside
Total of other comprehensive income	1,083	2,776	(60.99)	Decrease in changes in fair value of debt instruments at fair value through other comprehensive income

ii. Overdue and outstanding debts

During the reporting period, the Bank did not incur any overdue or outstanding debts.

iii. Interest receivable and provision for bad debts related

1. Change in on-balance-sheet interest receivable

Unit: RMB million

Item	Balance at the beginning of the year	Increase during the period	Decrease during the period	Balance at the end of the period
On-balance – sheet interest receivable	34,786	220,887	223,659	32,014

Note:

- Including accrued interest and interest receivable that has not been collected.
- From 2019 on, the Bank reclassified credit card installment income, transferring correspondent fee and commission receivables from other receivables to interest receivables. The data for the same period of 2018 were restated.

2. Provisioning of allowance for bad debts of interest receivable

Unit: RMB million

Item	31 December 2019	31 December 2018	Increase
Balance of allowance for bad debts of interest receivable	10	4	6

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iv. Other receivables and provisioning of allowance for bad debts related

1. Change in other receivables

Unit: RMB million

Item	31 December 2019	31 December 2018	Increase
Other receivables	26,187	11,833	14,354

Note: From 2019 on, the Bank reclassified credit card installment income, transferring correspondent fee and commission receivables from other receivables to interest receivables. The data for the same period of 2018 were restated.

2. Provisioning of allowance for bad debts of other receivables

Unit: RMB million

Item	31 December 2019	31 December 2018	Increase
Balance of allowance for bad debts of other receivables	573	632	(59)

IX. PERFORMANCE OF BUSINESS SEGMENTS

i. Corporate banking

The Bank's corporate banking delivered notable results in terms of supporting private enterprises, manufacturing, inclusive finance and three strategic regions. The Bank actively expanded the customer base and over-fulfilled the customer doubling plan. The business structure was improved, evidenced by corporate deposits growing significantly more than corporate loans. Interest rate spread rose steadily. In 2019, the Bank's corporate banking registered an operating income of RMB53,275 million, an increase of RMB8,439 million or 18.82% compared with the prior year, accounting for 40.07% of the Bank's total operating income. The number of active corporate customers was 243,000, an increase of 67,100 or 38.15% from the previous year.

1. Corporate deposits and loans

The Bank adhered to the strategy of "growing steadily in aggregate with continuous structural improvement" by pursuing growth in deposits from non-credit customers, strengthening the deposit base of settlement funds and promoting the sustained expansion of core deposits. It also implemented the major development strategies of China by supporting the three strategic regions, recording faster-than-average growth of the Bank in credit to the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta. The Bank stepped up policy implementation to effectively serve the real economy with full support for private enterprises and manufacturing development. The quality of loans remained stable which was demonstrated by improvement in all main indicators compared with the previous year. As at the end of the reporting period, the balance of corporate deposits (including the corporate business-related portion in other deposits) amounted to RMB2,277,944 million, representing an increase of RMB334,266 million or 17.20% over the end of the previous year. Among the above, core corporate deposits increased by 15.21%; the balance of corporate loans was RMB1,490,033 million, an increase of RMB157,404 million or 11.81% over the end of the previous year.

2. Inclusive finance

To address the difficulty of financing for small and micro enterprises, the Bank stepped up the inclusive finance system building, policy support, cross-departmental coordination and business advancement and pushed forward the Credit Factory and specialized sub-branch development. It also accelerated the inclusive finance eco-chain development, put online 83 inclusive finance eco-chain projects and enriched the “Sunshine Quick Loan” product system, with the “Sunshine Government Procurement Loan” named by Central Bank as a model project and “Sunshine e Mortgage Loan” implemented quickly. Meanwhile, the Bank continued to increase the support for agriculture-related business and poverty alleviation and promoted transformation and upgrading of agriculture. At the end of the reporting period, the Bank achieved total compliance with regulatory indicators of “two no less than and two controls”. Specifically, the balance of inclusive finance loans to small and micro businesses stood at RMB155,396 million, up 21.24% from the end of the previous year. The number of customers was 372,500, an increase of 63,600 from the end of the previous year. Weighted average interest rate of new loans fell by 70 BPs from one year ago.

3. Investment banking

The Bank established a comprehensive financial service system and platform integrating the “bonds, loans, equity and capital” of customers in line with market changes. Leveraging on its strengths in investment banking products, the Bank continued to improve the “investment banking + commercial banking” coordination mechanism and continuously improved the capability of value creation. During the reporting period, the Bank led the underwriting of RMB297,871 million of bonds, up 21.13% year-on-year, including issuance of RMB10,839 million of asset-backed notes (ABNs) for enterprise. The Bank also actively promoted the development of credit asset securitization. During the reporting period, the Bank issued six securitization projects totaling RMB24,466 million. What’s more, M&A loans grew substantially, marking another milestone in the M&A business.

4. Trade finance

The Bank developed a series of “Sunshine Supply Chain” hit products in the trade finance segment development, and provided customers with full-process online trade finance business platform integrating payment, settlement, guarantee, finance and cash management, stimulating the growth of fee-based business income and enhancing its brand influence. In the meantime, the Bank, taking the opportunity of the State pushing for in-depth integration of blockchain and the real economy, launched the forfaiting blockchain and cross-border foreign exchange blockchain, which delivered good results. The Bank also made full use of the full-range financial service licenses of China Everbright Group to speed up the establishment of overseas institutions and FTZ-based institutions, thus increased the business linkage and development between domestic institutions and overseas institutions and FTZ-based institutions, and integrated platform resources at home and abroad, inside and outside FTZs in order to pursue sustainable development of trade finance business. As of the end of the reporting period, the overall balance of the on- and off-balance sheet trade finance increased by 27.69% over the end of the previous year.



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ii. Retail banking

The Bank kept strengthening the marketing of retail banking business, seeing steady growth in deposits and greater contribution of core deposits. It further transformed wealth management to develop the Wealth E-SBU eco-chain for individual customers, enhancing the ability to create profits from wealth management. It also improved the business structure, with retail loans more profitable and asset quality enhanced continuously. Besides, the Bank enhanced customer on-boarding through “hit products” marketing, and made in-depth efforts to increase the comprehensive contribution of customers, with the total number of retail customers and assets per capita increased. During the reporting period, operating income from retail banking business stood at RMB54,683 million, up RMB8,165 million or 17.55% from the prior year, accounting for 41.13% of total net operating income of the Bank. Specifically, net interest income from retail banking was RMB38,431 million, up 16.84% from the prior year, accounting for 37.71% of total interest income of the Bank. Net non-interest income from retail banking reached RMB16,252 million, up 19.27% from the prior year, accounting for 52.39% of total net non-interest income of the Bank. Retail banking has become an important contributor to the Bank’s operating income, which is a notable progress in retail banking transformation.

1. Retail customers and AUM

The Bank worked hard to expand the base of new customers and tap the value of existing customers toward the core objective of “a bigger, better-structured customer base”. Coordinated online and offline operation was strengthened through customer lifecycle management, backed by data mining models. A marketing model covering “all customers, all products and all channels” was taking shape. As at the end of the reporting period, the Bank had 100,879,300 retail customers (including holders of credit and debit cards), breaking the mark of 100 million for the first time, an increase of 10,408,500 or 11.50% from the end of the prior year. Medium- and high-end customers with at least RMB500,000 of daily average assets per month grew by 16.26%, indicating further improvement in customer mix. The number of retail users of the Bank surpassed 400 million. There were 80,803,500 users of mobile banking, “Sunshine Life” and “Cloud Fee Payment” APPs in total, up 41.41% from the end of the prior year. The number of monthly active users (MAU) was 21,553,700, up 89.82% from the end of the prior year. The balance of retail AUM totaled RMB1,705,754 million, up 14.95% from the end of the previous year.

2. Personal deposits

Adhering to the operating philosophy of “developing via deposit business”, the Bank deepened customer-oriented integrated operations and kept the scale of personal deposits expanding on a steady footing. It strengthened product innovation by launching the “Payroll Manager”, a payroll-based integrated financial service platform. In the course of retail banking outlet transformation, the number of inefficient outlets was reduced, the integration of service and marketing was promoted across the Bank and the capacity of outlets was increased continuously. Meanwhile, the Bank actively carried out the development of channel scenarios, “going abroad” finance projects and other key work. It also carried out targeted marketing to increase customers’ comprehensive contribution. As at the end of the reporting period, the balance of personal deposits (including personal deposits portion in other deposits) of the Bank amounted to RMB707,081 million, representing an increase of RMB112,051 million or 18.83% as compared with the end of the previous year.

3. Wealth management

The Bank pursued transformation of wealth management with a focus on “brands, customers and team building”, effectively enhanced the capabilities of marketing, asset allocation, scenario innovation, investment advice and risk control, and steadily increased the efficiency of wealth management. It actively advanced the development of the individual customer eco-chain of Wealth E-SBU: First, a private banking eco-chain targeted at high-net-worth individuals (HNWIs) was developed. Second, a mobile banking eco-chain targeted at ordinary customers was developed. Third, a going-abroad cloud eco-chain oriented to “going abroad” scenarios was developed. Fourth, a tourism eco-chain oriented to tourist scenarios was developed. Fifth, a cloud life eco-chain oriented to utility payment scenarios was developed. CEB Supermarket was launched in Beijing and Shanghai and upgraded to Version 2.0, becoming an offline platform for practicing the E-SBU philosophy.

The Bank actively implemented the new regulation on asset management, accelerated the transformation of personal wealth management and developed a “Colorful Sunshine” series wealth management product system. The size of transformative wealth management products grew by 113.51% over the end of the prior year, rising to 31.52% as a percentage of total. The “Innovative Winner Initiative” and the “Output Leap Initiative” were carried out to improve wealth managers’ professional skills and sales capability, with the per-outlet and per-capita output rising significantly. During the reporting period, net fee income from personal wealth management stood at RMB3,845 million, up 21.36% year on year. Specifically, income from agency insurance increased by 58.53% year on year, and income from agency trust grew by 39.88% year-on-year.

4. Private banking

Aiming to become the “partner of companies and families”, the Bank provided private banking customers with one-stop integrated financial management solutions for individuals, households and enterprises. It strengthened refined operation and differentiated wealth management service, launched financial butler service, and built a multi-level customer service and wealth management system. It also provided non-financial services such as law & tax consultation, health care, travel and inter-generational education to meet customers’ diversified needs. As at the end of the reporting period, the Bank owned 32,207 private banking customers, representing an increase of 15.21% over the end of the last year.

5. Retail loans

The Bank actively pursued transformation and upgrading of personal loans, and lowered the financing costs of small and micro businesses through innovative risk mitigation. It strictly implemented the real estate macro-regulation policy of the State to support the reasonable housing demand of self-occupied housing buyers and home upgraders. It granted more small-amount consumption loans with better structure of business and customer base. In addition, the Bank sped up the online, centralized, smart, standardized and agile transformation of personal loans, increased the efficiency of online marketing and risk control, and developed hit products of personal loan. As at the end of the reporting period, the balance of personal loans (excluding credit card loans) amounted to RMB713,627 million, representing an increase of 9.33% as compared with the end of the previous year. Due to improvement in both structure and pricing, retail loans generated a yield of 5.54% (excluding credit cards), up 41 BPs from the end of the previous year, hitting a record high.

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6. Credit card business

With the vision of developing “a credit card that best knows you”, the Bank launched the new brand proposition that “you feel the world, while I feel you” to improve the customer experience management system and further boost brand satisfaction. Driven by strategic transformation, the credit card App of CEB had 10,453.2 thousand monthly active users, up 83.45% from the end of the prior year, ranking the fourth among credit card APPs. The tourism E-SBU was further developed to improve the mega tourism product series, with over 1 million key credit cards issued, including the credit cards co-branded with China CYTS Tours Holding. The big data-based smart risk control system was built up, technologies including big data, machine learning, artificial intelligence were applied in risk management and the risk management information system was remarkably improved. During the reporting period, 11,498.3 thousand new credit cards were issued by the Bank, with a transaction volume of RMB2,658,807 million, up 16.17% year on year. The overdraft balance at the end of the year (excluding the payment adjustment to transitional account) amounted to RMB444,832 million, up 10.81% over the end of last year. The Bank generated an income of RMB47,567 million during the reporting period, up 21.84% year on year.

7. Digital banking

The Bank renamed and upgraded the Electronic Banking Department to the Digital Banking Department in an effort to further advance its digital transformation. As at the end of the reporting period, 98.48% of counter transactions were handled through electronic channels, 0.57 percentage point higher than the last year. The Wealth E-SBU mobile financial eco-chain was established, with a focus on mobile banking APP. The number of monthly active users of mobile banking was 10.0713 million, an increase of 4.4145 million in the year. The Bank strengthened the “Cloud Payment” service on an industry-oriented basis, with a total turnover of RMB10.47 trillion, up 125.16% year-on-year. Online inclusive finance loans were issued in the form of “Sunshine Loan”, with big data-based smart risk control in place. The balance of “Reassuring Loan” stood at RMB77,942 million, up RMB14,592 million from the end of the previous year. Besides, with a focus on innovative application of blockchain, the Bank built the “Sunshine Blockchain” by rolling out financial products such as “Blockchain Payment”, “Blockchain Custody” and “Blockchain Payroll”.

8. Cloud Fee Payment

In adherence to its founding mission of “serving the people and solving their difficulties”, the Bank set up the Cloud Life Business Department to take charge of the business development of China’s largest convenient bill payment platform and put the inclusive finance strategy into practice. The Bank continued to increase bill items, facilitated the online collection of non-tax government revenues and promoted platform exports. The cloud life ecosystem was launched across the board to additionally incorporate non-tax cloud, social security cloud, property management cloud, healthcare cloud and education cloud. The Cloud Fee Payment client launched eight life modules, namely, wealth management, insurance, securities, healthcare, tourism, going abroad, housekeeping and coupons. As at the end of the reporting period, the platform offered 7,203 billing items in total, including 3,162 added in the year, an increase of 78.25% year-on-year. The platform was exported to 415 agencies in total, including 99 agencies added in the year, up by 31.33% from the previous year. The platform was used by 378 million bill payers, up 49.41% from the previous year. There were 122 million monthly active users of the Cloud Fee Payment platform, up 29.29% from the previous year. The platform processed 1,645 million bill payments, up by 49.59% from the previous year, totaling RMB367,315 million, up by 78.07% from the previous year. Income from fee-based business stood at RMB427 million, up by 45.24% year on year.



Column 2: A New Life with Cloud Fee Payment

In 2019, Cloud Fee Payment moved forward faster with convenient services and inclusive finance. It remained China's largest open platform for bill payment. In particular, when the demand for online services surged during holidays or on other unusual occasions, Cloud Fee Payment provided the broadest users with safe, timely and considerate bill payment services through various protective measures. Vice Governor of Central Bank, Fan Yifei, commented that "the 'Cloud Fee Payment' service of China Everbright Bank has reduced the time taken by utility bill payment from 'hours' to 'minutes'".

I. Wider range of bill items and broader geographic coverage

Upholding the strategy of "implementing the blueprint thoroughly", Cloud Fee Payment stepped up the service penetration into provincial, municipal and county-level levels across six utility divisions, namely electricity, water, gas, cable TV, telecoms and heating, seeing a marked expansion of coverage. Electricity billing has covered all parts of the country, water billing has covered 75% of prefecture level cities and gas billing 66% of prefecture level cities. Cable TV billing service was available in 29 provinces. Heating bill payment covered all heated areas in North China.

Cloud Fee Payment helped governments at all levels move their service billing online quickly, experiencing a sharp rise in governmental bill items. The platform processed 54,472,000 government bill payments in the year.

The Bank fulfilled its social responsibilities, contributed to precision poverty alleviation and delivered the warmth of inclusive finance to hundreds of millions of households. For example, the Bank provided online utility bill payment service to three poor counties (Xintian, Xinhua and Guzhang) in Hunan Province. The service has covered all electricity bill payers in the three counties, all water and gas bill payers in Xintian County and all gas bill payers in Xinhua County. Xinhua County is upgrading its water billing system, while Guzhang County has signed the water billing service contract and is upgrading its gas billing system.

II. Increasing number of partnership channels

Cloud Fee Payment is exporting its service to online and offline channels of partner organizations, including WeChat, Alipay and other super-large internet platforms. Its partner base includes clearing organizations (e.g. China UnionPay) and 57 financial institutions, the three major telecoms carriers (i.e. China Mobile, China Unicom and China Telecom) and e-commerce giants (e.g. JD.com and Suning.com). As Cloud Fee Payment expands its partner base, a rising number of users have access to around-the-clock convenient bill payment services through various channels, which have given a boost to the availability of utility payment services.

III. 24/7 services

Operational work on Cloud Fee Payment has been assigned precisely to posts and individuals to ensure stability of business and system and guarantee zero-incident through the year. Customer complaints are addressed promptly to ensure they will be settled as soon as possible. The Cloud Fee Payment system is capable of processing 130 million transactions each day, assuring users of consistent fee payment service anytime. On 5 February 2020, the Financial Times published an article titled "CEB Cloud Fee Payment Helps Epidemic Prevention and Control", saying that "China Everbright Bank fully unleashes its strengths in online bill payment service across the country. In particular, its system runs stably and smoothly for main utility bill items, such as water, electricity and gas, in key areas. Residents can pay their bills from home, minimizing the risk of travel."

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iii. Financial market business

The Bank maintained stable growth in its financial market business, which was highly profitable and capital-efficient. A wealth management subsidiary was established as a specialist in wealth management. The Bank fostered teams with core competence in pursuit of specialized, distinctive, lightweight and market-oriented transformation of the financial market business as an important contributor to building a first-class wealth management bank. In 2019, the Bank's financial market business registered an operating income of RMB24,765 million, an increase of RMB5,830 million or 30.79% compared with the prior year, accounting for 18.63% of the Bank's total operating income.

1. Treasury business

The Bank continued to strengthen macro situation study, improved the investment and trading strategies, optimized the structure of asset portfolio, increased investments in the real economy and effectively boosted the portfolio yield. Money market transactions were conducted steadily to ensure liquidity safety. Bond investment was expanded moderately, with a focus on central government bonds, local government bonds, policy financial bonds and high-class credit bonds to increase the return on bond portfolio. The exchange rate volatility was harnessed to increase the proportion of income from proprietary foreign exchange trading. "Sunshine Exchange Gain" was developed into a hit product, providing quality services featuring a dual function of "financing and hedging". As at the end of 2019, the balance of bonds in proprietary account amounted to RMB755,813 million, accounting for 15.97% of the Bank's total assets, 50.12% of which were central government bonds and local government bonds. According to overall evaluation by the National Interbank Funding Center, the Bank was at the forefront of core traders in the interbank market.

2. Interbank business

The Bank implemented regulatory requirements with due care, maintained an appropriate scale of interbank business, strengthened the management of specialized interbank business, and ensured compliance and prudence in operation. The Bank also conducted market analysis actively to ride on market trends, returned to the founding mission of the business, strengthened the management of asset and liability portfolios, optimized term structure and fulfilled the function of bank-wide liquidity management. The Bank made interbank investment with a focus on serving the real economy, with stronger investment in standard products. What's more, the Bank paid visits to financial institution customers, expanded business cooperation with them and fortified the customer base, with the number of financial institution customers rising by 17.64% from the prior year. As at the end of the reporting period, the balance of interbank deposits stood at RMB444,320 million.

3. Asset management business

In September 2019, Everbright Wealth Management Co., Ltd. commenced operation as the first wealth management subsidiary established by a joint-stock commercial bank. Based on the "Colorful Sunshine" net-asset-value (NAV)-based product system, the Bank actively developed "Fixed Income Plus" products focusing on bonds, financing projects and capital intermediary services. The Bank also provided investors with a full range of asset value-added services on the basis of diverse product types and professional asset allocation strategy. Besides, the Bank aims to continuously increase its investment and research capabilities, strictly control risks, optimize systems and mechanisms and pursue steady transformation of wealth management business. As at the end of the reporting period, the Bank recorded RMB778,837 million in balance of non-principal-guaranteed wealth management products, an increase of RMB89,835 million or 13.04% from the prior year. The balance of NAV-based wealth management products was RMB334,354 million, accounting for 42.93%. A total of RMB3.62 trillion non-principal-guaranteed wealth management products were issued in the year. All matured wealth management products belonging to Sunshine Wealth Management have been properly redeemed.

4. Asset custody services

The Bank continued to strengthen the custody service development, achieving growth in both custody size and income in spite of the industry hardships. The Bank actively promoted the marketing of occupational annuity custody, won the bids for occupational annuity custodian for 30 provinces and autonomous regions, becoming the first win-all bidder among joint-stock commercial banks, demonstrating its strong capability in custody and the market's recognition of its service. Besides, the Bank advanced system building to enhance its capability of custody operation, named as the "Excellent Settlement Member" in interbank market settlement. The Bank also strengthened risk management, completed review of policies and procedures, and properly tackled emergencies to ensure safety of business. As at the end of the reporting period, RMB5,868,555 million of assets were under the Bank's custody, and the income from custody business amounted to RMB1,335 million.

X. BUSINESS INNOVATION

The Bank continued to accelerate innovation in products, channels and service models. It has developed a sharp competitive edge in Cloud Fee Payment, digital banking, trade finance and trusteeship, manifesting an increasingly stronger ability to innovate products and services. It also continued to implement the "CEG" strategy for Cloud Fee Payment and expanded the service scale in a faster pace under the three scenarios of "daily life ecosphere (C), business ecosphere (E) and government ecosphere (G)". The "Smart Marketing Platform" was launched to enable smart marketing, equity distribution and lifecycle management of target customers through the equity service, marketing assistant and "Cloud Share" modules with the focus on customers' life cycles. Based on the insight into the characteristics of ten industries (including E-commerce, campus and healthcare), ten versions of "Sunshine Industry Express" were launched to provide customers with industry-wide a package payment solution. The innovative financing matchmaking tool "Investment and Financing E" was developed to address the difficult access to investment and financing of non-standard projects commonly seen in the market at present.

XI. INFORMATION TECHNOLOGY

The Bank strengthened its core technological competency by successively carrying out a number of key projects, including Inclusive Finance Cloud and Trade Finance Cloud, online loan system, mobile banking 6.0, basic supply chain service platform, new-generation customer service platform, intelligent profit analysis platform, Cloud Fee Payment and 5G CEB Supermarket. Artificial intelligence was further applied to develop a smart financial brain, strengthen the application platform development and build a diverse big data platform. The value of data was further harnessed to enable smart transformation of business, improve data governance and enhance data quality across the board. The "3+N" landscape was developed, with three remote R&D centers (Qingdao, Hefei and Guangzhou) and two joint research and innovation centers (Beijing and Shanghai) officially put into operation. In addition, the Bank pushed forward cybersecurity integration to fortify the line of defense for information security. During the reporting period, the Bank's information systems ran steadily without any major security incident.

Regarding information technology (IT) as the core driver of business development, the Bank carried out the IT investment doubling plan to enhance the innovation capability. During the reporting period, the Bank spent RMB3,404 million in IT, an increase of RMB1,052 million or 44.73% from the previous year, accounting for 2.56% of operating income. Among them, spending on Fintech innovation amounted to RMB1.201 billion. As at the end of the reporting period, the Bank had 1,542 IT persons, accounting for 3.38% of total headcount.

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Column 3: Fintech Gathered New Momentum

The Bank endeavored to build a “123+N” digital banking development system with “one smart brain, two technological platforms, three service capabilities and N digital hit products”. The system has become an increasingly notable driver of the transformation and innovative business development.

“One smart brain” makes full use of the AI and biological recognition technology to reshape the Bank’s smart services. The AI platform launched 91 new models in 2019, raising the total number of models to 316 and generating RMB44.6 billion of incremental retail AUM. The biological recognition platform processed over 650,000 transactions a day, and the remote banking handled more than 62 million smart service transactions in the year, enjoying a customer satisfaction of 99%. The number of answers done by non-artificial service accounts for 77% of incoming calls to the remote customer service center in the year, equivalent to the workload of 574 agents.

“Two technological platforms” realized agile response and accelerated product innovation. The cloud computing platform (IaaS) had a total capacity of over 12,000 computers, bringing 82% of the Bank’s application systems onto the cloud and able to deliver the resource environment in one hour. The big data platform had a total cluster size of 537 nodes with approximately 1.8PB data. The data warehouse loading efficiency increased 10 times over the prior year, providing strong support for digital operation of the Bank.

“Three service capabilities” accelerated the incubation of mobile, open and ecosphere-based service capability. With mobile services put first, mobile banking APP, Sunshine Life APP and Cloud Fee Payment APP were increasingly improved, which have attracted monthly active users exceeding 21.55 million. Based on open account systems, products, services and technological architecture, more than 700 API interfaces have been opened and electronic accounts served more than 10 million users in total. A digital service system integrating diversified financial functions and life and ecosphere elements has been set up, which is now serving more than 400 million users.

“N Digital hit products” was increasingly enriched. The Bank continuously deepened the application of new technologies including cloud computing, artificial intelligence, big data, block chain, internet of things, etc., such hit products as Cloud Fee Payment, Cloud Payment, Reassured Loan, Sunshine Blockchain, Inclusive Finance Cloud, Trade Banking Cloud demonstrate the innovative effect of science and technology on the development of the national economy and inclusive financial service.

--- The Cloud Payment provides medium and small-sized enterprises and personal customers with smart and all-round payment and settlement service, which has helped realize green fee and commission income of over RMB1 billion and deposits on average on a daily basis for 2019 exceeding RMB100 billion.

--- The Inclusive Finance Cloud and Trade Finance Cloud platforms specialize in meeting the financing and value enhancement demand of core enterprises and business districts in supply chain scenarios, covering 32 branches and bringing over 34,000 prospective customers.

--- The smart risk control system has begun to pay off in terms of risk management, debt collection, special assets resolution and asset quality control. Big data resource inside the Bank was utilized and integrated, risk control related products were supplied, key points of online business cooperation regarding internal and external scenarios linked up with an aim to push coordination between the Bank and external scene and boost the business innovation of the Bank.

--- The blockchain technology was employed to introduce new treasury service models. The Bank established the “Digital Fintech Lab” jointly with China Xiongan Group, completed interconnection with Ant Financial’s “Double Chain Link” and realized the cooperation with fund management platform of Xiongan New Area construction projects. It also created the forfaiting blockchain trading platform jointly with other financial institutions, including Bank of China, China CITIC Bank and China Minsheng Bank.

--- The distributed technology was employed to enhance the wealth management brand. The new-generation wealth management platform, built on the distributed data technology, has established connectivity with internet distribution agents to help enrich the “Colorful Sunshine” NAV-based product system. The number of wealth management clients grew by 10.27%.

XII. HUMAN RESOURCES MANAGEMENT

During the reporting period, the Bank improved the human resources management system and mechanism, selected management personnel across the Bank and from society for tier-1 institutions, and implemented the plan for selecting, training and cultivating young officials born in 1980 and afterwards. Meanwhile, the Bank innovated the human resources allocation, improved the organizational structure system and talent team structure, selected backbone employees and director-level officials through the “Talent Selection Initiative”, and built a unified platform to retain a reasonable mobility of talents. In addition, the Bank offered opportunities to assist with the growth of employees, improved the training system for officials at different levels, and established a sound learning and development ecosystem. It also reasonably allocated staff costs, improved the remuneration and welfare system and the performance assessment system, and made the operation of the assessment & incentive mechanism more efficient.

XIII. INVESTMENT ANALYSIS

- i. **As at the end of the reporting period, the balance of the Bank’s long-term equity investments amounted to RMB12,383 million, representing an increase of RMB5.0 billion or 67.72% as compared with the end of previous year.**

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ii. Material Equity Investments

Unit: RMB ten thousand, ten thousand shares, %

Investee	Principal business	Investment amount	Number of shares held	Percentage of shareholding	Profit or loss in the reporting period	Partner
Everbright Financial Leasing Co., Ltd.	Financial leasing	468,000	531,000	90	80,745	Wuhan New Harbor Construction and Investment Development Group Co., Ltd., Wuhan Rail Transit Construction Co., Ltd.
Everbright Wealth Management Co., Ltd.	Wealth management	500,000	-	100	370	None
CEB International Investment Corporation Limited	Investment banking	HKD2.6 billion	-	100	HKD58.06 million	None
China Everbright Bank (Europe) S.A.	Full-licensed banking business	EUR20 million	2,000	100	EUR-840,000	None
Shaoshan Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	297	Sany Group Co.,Ltd., Guangzhou Baoli Hetai Financial Holding Co., Ltd., Changsha Tongcheng Holding Co., Ltd., Shaoshan City Construction Investment Company Limited
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	Commercial banking	7,000	7,000	70	1,283	Jiangsu East Golden Fox Garment Co., Ltd., Huai'an Shuanglong Weiye Technology Co., Ltd., Jiangsu Taihua Pharmaceutical Company Limited, Nanjing Mengdu Tobacco Packing Co., Ltd.
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	Commercial banking	10,500	10,500	70	461	Ruijin Cultural Tourism Development and Investment Co. Ltd., Ruijin Hongdu Aquatic Food Co. Ltd., Ruijin Lyvexuan Forestry Co., Ltd., Ruijin Tiancheng Agricultural Products Co., Ltd.
China UnionPay Co., Ltd.	Bank card interbank information exchange network	9,750	7,500	2.56	1,272,500	Other commercial banks, etc.
National Financing Guarantee Fund Co., Ltd.	Re-guarantee	50,000	-	1.5129	-	20 shareholders including MOF, China Development Bank, Industrial and Commercial Bank of China, China Merchants Bank, China Life

Notes:

- All the above-mentioned major equity investments were made with unquoted equity.
- All the above-mentioned major equity investments were long-term investments.
- All the above-mentioned equity investments were not subject to any litigation.
- The income statement of China UnionPay Co., Ltd. for the reporting period has not been audited.

iii. During the reporting period, the Bank had no material non-equity investment and conducted bond investment in the ordinary course of its businesses. Please refer to the afore-mentioned for details.

iv. **Financial assets designated at fair value during the reporting period**

The Bank held domestic and overseas bonds and financial derivative instruments measured at fair value in the ordinary course of its business. Please refer to “Notes to the Consolidated Financial Statements” for details.

XIV. DURING THE REPORTING PERIOD, THERE WAS NO MATERIAL DISPOSAL OF EQUITY INTEREST OF THE BANK.

XV. MAJOR COMPANIES IN WHICH THE BANK HELD EQUITY

i. **Everbright Financial Leasing Co., Ltd.**

Established in May 2010, the company engages in financial leasing business. It was registered in Wuhan City, Hubei Province with a registered capital of RMB5.9 billion. During the report period, the company mainly focused its financial leasing on fields related to national economy and people’s well-being, such as public utilities, infrastructure construction, urbanization construction as well as national strategic emerging industries such as new materials, new energy and high-end manufacturing etc. By now, it has formed certain brand advantages in aviation equipment and vehicle equipment, and are expanding its business in wind power, forming a nationwide business network. As at the end of the reporting period, its total assets, net assets and net profit were RMB94,946 million, RMB9,189 million and RMB807 million, respectively.

ii. **Everbright Wealth Management Co., Ltd.**

Founded in September 2019, the company specializes in asset management related businesses such as the issuance of publicly-offered wealth management products, the issuance of privately-offered wealth management products, wealth management advisory and consultation. It was registered in Qingdao City, Shandong Province with a registered capital of RMB5 billion. During the reporting period, through diversified products and professional assets allocation, the company provided all-round asset appreciation services for investors. As at the end of the reporting period, its total assets, net assets and net profit were RMB5,021 million, RMB5,004 million and RMB3.7 million, respectively.

Discussion and Analysis of Operations

Column 4: The Wealth Management Subsidiary Pulled Together New Forces

The Bank was the first to introduce the concept of “wealth management” in China. It issued the first ever wealth management product as early as in 2004, kicking off the wealth management business of domestic commercial banks. In 2018, the Bank launched its new strategic vision of “building a first-class wealth management bank”. In 2019, Everbright Wealth Management Co., Ltd. commenced operation as the first wealth management subsidiary of a Chinese joint-stock commercial bank. Taking the subsidiary as the core platform implementing its wealth management strategy, the Bank will develop the subsidiary into a world-class wealth management institution in five to ten years.

Strategic vision: Build a first-class asset management institution and a leading IT platform for asset management.

Corporate mission: Create sustainable value and return to investors, and serve national strategies with professional forces.

Strategic pathway:

--- Begin with the end in mind: Improve core competency in terms of “NAV-based products, professional investment research, market-oriented channels, comprehensive risk control, financial technology and coordinated resources”.

--- Ride on technology: Embrace the era of intelligent technology and leverage on Fintech to reshape the IT value chain encompassing asset management, investment, investment research, marketing services, risk control and compliance and operation.

--- Shoulder responsibilities: Shoulder the historic mission as a wealth management subsidiary to serve the real economic development, meet people’s wealth management needs and address the difficulties and pain points in elder care, provide a wide range of asset management and wealth management solutions and contribute to the launch and development of the third pillar of China’s pension system.

--- Professionalism: Harness the talent-intensive advantage of the asset management industry, improve the performance assessment and incentive mechanism and build a professional, high-caliber team.

Business plan for 2020:

In 2020 as a year full of complexities, this company will forge ahead confidently with long-term planning, well-focused breakthroughs and short-term achievements. On the customer side, the company will build a good product container, expand the base of cash management products, improve signature products, control product drawdown and help investors obtain a steady return. The company will also make early planning for old-age wealth management, smart investment advisory service and other key areas of business and ride on the overall trend of combined asset management and wealth management. The company will diversify sales channels, embed services into a variety of scenarios, increase the proportion of institutional customers appropriately and build an open asset management platform. On the investment side, the company will strive for the goal of building a 24/7 multi-strategy investment platform, boost the capability of allocation among major asset categories and product making, increase the ratio of standard investments, quicken agile reaction and seize trading opportunities. In terms of non-standard investment, the company will take the initiative in filtering target customers, establish the concept of main asset management organization partner of enterprises and boost the comprehensive income. In terms of risk management, the company will improve the control of credit risk, market risk, operational risk and liquidity risk at the macro, regional/industrial, company/project and model levels under the principle of “collective + individual” assessment, so as to ensure compliance. The company will fortify the technological foundation, plan the IT system development under the “integrated, smart and agile” principle and seek to realize total-process digital support as soon as possible. It will also push forward team capacity building, foster a corporate culture of “sunshine, responsibility, professionalism and creditability”, sharpen the overall edge in wealth management, strengthen the coordination with the Bank and make due contributions to CEB’s drive for a “first-class wealth management bank”.

iii. CEB International Investment Corporation Limited

Registered with a capital of HKD2.6 billion in Hong Kong in June 2015, the company has obtained the licenses for securities trading, securities consulting, financial consulting and asset management business. During the reporting period, the company focused on developing such investment banking businesses as listing sponsor and underwriting, public offering and placement of new shares on secondary market, and enterprise refinancing. As at the end of the reporting period, its total assets, net assets and net profit were HKD9,977 million, HKD2,591 million and HKD58.06 million, respectively.

iv. China Everbright Bank (Europe) S.A.

The company was incorporated in Luxembourg in July 2017 with a registered capital of EUR20 million. As a fully-licensed banking institution, it mainly engages in deposit taking, loan granting, bill and bond issuance and any other business that can be conducted by credit institutions according to local laws. During the reporting period, it focused its efforts on developing domestic guarantee for overseas loans. As at the end of the reporting period, its total assets, net assets and net profit were EUR35.05 million, EUR14.65 million and EUR-0.84 million, respectively.

v. Shaoshan Everbright Rural Bank Co., Ltd.

Founded in September 2009, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Shaoshan City, Hunan Province with a registered capital of RMB150 million. During the reporting period, it continued to serve farmers, agriculture and rural areas as well as Shaoshan City. It helped support the growth of micro business and county economy by exploring ways of supporting rural economic development with its financial products and services. As at the end of the reporting period, its total assets, net assets and net profit were RMB749 million, RMB218 million and RMB2.97 million, respectively.

vi. Jiangsu Huai'an Everbright Rural Bank Co., Ltd.

Incorporated in February 2013, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Huai'an City, Jiangsu Province with a registered capital of RMB100 million. During the reporting period, it continued to serve farmers, agriculture and rural areas, developed the micro business, and achieved steady growth. As at the end of the reporting period, its total assets, net assets and net profit were RMB1,091 million, RMB136 million and RMB12.83 million, respectively.

vii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

Incorporated in November 2018, the rural bank engages in commercial banking services including deposit taking and lending. It was registered in Ruijin City, Jiangxi Province with a registered capital of RMB150 million. During the reporting period, it proactively served farmers, agriculture and rural areas, and developed the micro & SME business. As at the end of the reporting period, its total assets, net assets and net profit were RMB635 million, RMB155 million and RMB4.61 million, respectively.

Discussion and Analysis of Operations

XVI. SPECIAL PURPOSE ENTITIES CONTROLLED BY THE BANK AND STRUCTURED PRODUCTS

- i. There are no special purpose entities controlled by the Bank.
- ii. The structured products whose equities are held by the Group but not recognized in the consolidated financial statements mainly include special asset management plans. Please refer to “Notes to the Consolidated Financial Statements” for details.

XVII. RISK MANAGEMENT

i. Credit risk management

The Bank continued to improve its comprehensive risk management system, and strengthened the coordinated management of credit risk as per the principle of unified management of policy, approval, monitoring and resolution. It improved the unified credit management mechanism and carried out unified credit management for various credit and investment businesses. Meanwhile, the Bank improved the corporate governance of subsidiaries and strengthened the supervision and guidance on their risk management. It also actively applied big data, artificial intelligence, blockchain and other financial technologies to transform traditional risk control techniques and means to improve the digital and intelligent level of risk management.

The Bank improved the credit structure, reasonably allocated credit resources and stepped up efforts to serve the real economy. It actively supported major national strategies by expanding cooperation in strategic emerging industries, advanced manufacturing and modern service industries. The Bank intensified support for private enterprises by treating them equally in terms of credit policies, product innovation, service efficiency, and internal assessment. For better serving micro businesses, and farmers, agriculture and rural areas, it actively developed inclusive finance. To advance the supply-side structural reform, the Bank intensified its support for environmental protection, tourism, healthcare and new technologies.

The Bank forestalled and defused financial risks, brought loans under rigid classified management, and classified risks in a prudent and consistent manner, so as to reveal risks truthfully and objectively. Besides, it pursued the prudent and robust provision policies while putting each potential asset loss under impairment test and provisioning according to the new accounting standards for financial instruments. It also improved the all-round management mechanism of asset quality and accelerated the disposal of existing non-performing loans.

Please refer to “Notes to the Consolidated Financial Statements” for further details.

ii. Liquidity risk management

The Bank held a prudent and stable attitude towards the liquidity risk management and upheld its bottom line for liquidity, in a bid to keep sound and adequate liquidity. It closely tracked changes in the market and regulatory policies, and implemented proactive and forward-looking liquidity management strategies, with a view to ensuring that payment obligations and liquidity demands of all businesses can be met in a timely manner under normal operation environment or stress. In the meantime, the Bank made reasonable arrangement for its business scale and term structure and adjusted internal fund transfer price dynamically to improve refined management. What’s more, the Bank explored diversified liability channels, reserved high quality liquidity assets, and continuously consolidated the liquidity security foundation, thereby enhancing its ability to withstand liquidity risk.

Please refer to “Notes to the Consolidated Financial Statements” for further details.

iii. Market risk management

The Bank continued to improve its market risk management system, regularly adjusted market risk limit based on risk appetite and business development, and put all businesses and products involving market risk under market risk limit control. As a result, all market risk monitoring indicators were within the range of risk appetite in 2019. At the same time, the Bank endeavored to predict and analyze the interest rate risk and exchange rate risk and followed up with the risk exposure and change trend of market-oriented businesses. It also carried out stress tests regularly to assess the risk it would face in extreme scenarios.

Please refer to the “Notes to the Consolidated Financial Statements” for further details.

iv. Large exposures management

According to the *Administrative Measures for Large Exposures of Commercial Banks* issued by CBIRC, large exposures refer to the risk exposures of commercial banks to a single customer or a group of related customers exceeding 2.5% of their net tier-1 capital. The Bank strictly implemented regulatory requirements, actively established an organizational structure and management system for large exposures management, and formulated management rules for large exposures. Besides, it promoted the development of related information system, measured and dynamically monitored changes in large exposures, and thus effectively controlled customer concentration risk. As at the end of the reporting period, all limit indicators for the Bank’s large exposures were controlled within the scope permitted by regulators.

v. Country risk management

The Bank has incorporated country risk into its comprehensive risk management system. During the business operation, the Bank dynamically monitored changes in general risk, set and regularly updated the country risk limit, and incorporated the business involving country risk in the risk limit. Meanwhile, the Bank set aside allowances for country risk impairment in full for the business involving risk on a quarterly basis, and conducted risk stress testing to assess the impact of it on the Bank’s capital. It also regularly reported the Bank’s risk management to the senior management and regulators. At the end of the reporting period, the Bank’s assets involved in country exposures were small in amount and would not have a material impact on the Bank’s business operation.

vi. Operational risk management

The Bank focused its efforts on layered management, based its work on the three lines of defense, continuously emphasized responsibilities of the “first line of defense” in operational risk management, and realized risk management and control at earlier steps and saved management resources. By implementing three management tools, the Bank identified potential risk hazards, monitored risk changes, and actively rectified any risks after analyzing their causes. It also notified risks and gave warnings via circular and put forward further management requirements to guide the Bank’s compliant operation.

Please refer to “Notes to Consolidated Financial Statements” for further details.

vii. Compliance risk management

The Bank kept strengthening the compliance risk management by reinforcing the foundation for internal control and compliance management of tier-2 branches continuously. It closely kept track of the changes in external laws and regulations, and upgraded its external regulatory library correspondingly. The assessment and review of rules and policies were carried out in a bid to improve the Bank’s internal institutional environment. By adopting differentiated and dynamic management methods, the Bank comprehensively improved its operation and management authorization. To magnify the supervision and inspection effect, the Bank continuously carried out unannounced inspections and thorough investigation of abnormal fund transactions of employees to enhance deterrence. What’s more, the Bank continuously intensified the control and handling of material, difficult and sensitive litigation cases, and strengthened closed-loop control of the whole process.

Discussion and Analysis of Operations

viii. Reputational risk management

The Bank attached great importance to reputational risk management, took reputational risk as an important risk indicator, and established a reputational risk management mechanism applicable to the whole bank. Following the overall framework of “early warning, in-depth judgment and proper disposal”, the Bank focused on prior prevention to control reputational risk at earlier steps. Besides, the Bank strengthened system management, clarified primary responsibilities, and formed a bank-wide reputational risk governance structure, which contributed to steadily improving the Bank’s reputational risk response capacity and work efficiency.

During the reporting period, the Bank did not incur any material operational risk event that seriously endangered the reputation of the Bank.

ix. Anti-money laundering (AML) management

The Bank formulated money laundering risk management policies and revised the AML internal control rules. It continuously improved the functions of AML system, strengthened the identification of beneficial owners and brought high-risk customers under intensified management. The Bank conducted the money laundering risk assessment of institutions, and set transaction restrictions on customers whose identity information were missing. Besides, it strictly fulfilled international obligations and fully acted on the UN Security Council’s resolutions on economic sanctions and counter-terrorist financing (CTF).

x. Credit policies for key fields

In the real estate sector, the Bank adhered to the overall principle of “houses are not for speculation”, followed the national policy, and upheld the business strategy of “aggregate management, prudent implementation, differential credit extension and strict risk control”, with a view to ensuring the sustained and healthy development of the real estate credit business. The Bank strictly controlled concentration risk in the real estate industry by exercising mandatory limit management over total credit facilities. In addition to the list-based management of real estate developers, the Bank implemented city-specific policies and adopted differentiated credit policies according to the cities’ population, inventory, land supply and control policies. Following the principle of “selecting the top best”, the Bank strictly reviewed the availability of project capital and developers’ own funds, “four certificates” as well as the land-taking cost, house structure and targeted group of the project. Meanwhile, the Bank strengthened the monitoring of loan fund use and tracking of project sales, and intensified the closed management of funds. In 2019, the Bank’s credit assets in the real estate industry remained stable and superior to the average level of the Bank’s total assets.

For industries with excess capacity including steel, coal, photovoltaic, shipbuilding, cement manufacturing, flat glass, aluminum smelting and paper-making industries, the Bank firmly conducted the supply-side structural reform and continuously resolved the problem of severe overcapacity. Since the *Guiding Opinions of the State Council on Resolving the Problem of Serious Overcapacity* (Guo Fa [2013] No. 41) was released, the Bank has steadily pushed forward the work of resolving excess capacity, and adjusted its asset structure and layout. The proportion of the Bank’s credit exposures to industries with excess capacity in total corporate banking business had declined.

XVIII. OUTLOOK OF THE BANK

i. Competition landscape and development trend of the industry

In 2020, China's banking industry will effectively forestall and defuse financial risks and ensure that no systemic risks will emerge. This will work to help ensure stable employment, a stable financial sector, stable foreign trade, stable foreign investment, stable domestic investment and stable expectations, push forward the supply-side structural reform in the financial industry and promote all-round opening-up. Meanwhile, support will be rendered to the implementation of national major strategies and the advancement to achieve modernization of its governance system and ability.

ii. Business plan

In 2020, the Bank will grasp opportunities arising from the overall stable market environment to maintain sustained and rapid development of all business. Adapting to the interest rate trends, it will improve its credit operation strategies and step up efforts in the deposit structure adjustment and cost control. At the same time, the Bank will hold on to the bottom line of risk management while increasing business efficiency. Meanwhile, it will stick to innovation-driven development and leverage the advantages in financial technology and wealth management. If there should be no significant change in current operating environment and regulatory policies, the Bank will strive to achieve a loan growth rate of no lower than 10%. This business plan does not constitute a performance commitment of the Bank to its investors, who shall maintain sufficient risk awareness and understand the discrepancy between business plan and performance commitment.

iii. Capital demand plan

The Bank will formulate capital plans based on its financial budget, strategic planning and stress testing results. Based on its actual conditions, the Bank will further consolidate its capital base by replenishing capital via internal and external channels. Besides, the Bank will implement counter-cyclical capital management to smooth the influence of economic fluctuation and changes in regulatory policies and ensure sustainable development.

iv. Potential risk and countermeasures

In 2020, internationally speaking, the world economy is undergoing deep adjustment following the international financial crisis, and growth tends to slow down under pressure. From the domestic perspective, China is in the period of tackling key problems in changing its development model, upgrading the economic structure and transforming the driving force of growth. Despite the increasing downward pressure and in particular the periodical and temporary impact of novel coronavirus pandemic, the stability and growth outlook for the Chinese economy will remain unchanged.

With a commitment to the general principle of "making progress amid stability, seeking opportunities among changes and pursuing innovation during progress", the Bank will apply the new development concept, boost high-quality development and enhance its value creation capabilities. Aiming to develop into a first class wealth management bank, the Bank will emphasize the following tasks: First, the Bank shall maintain strategic focus and firmly implement the strategy. Second, the Bank shall push forward the reform of system and mechanism, so as to release the driving force for sustained growth. Third, the Bank shall advance transformation and innovation, continuously improve its business structure, and increase technological investment to lay a stronger technology support. Fourth, the Bank shall improve the operation efficiency, optimize the use of capital, and improve the capacity of personnel and institutions. Fifth, the Bank shall strengthen comprehensive risk management and continuously consolidate asset quality to advance sustainable, healthy development of businesses. Sixth, to make in-depth analysis, make accurate judgement and take all-round measures to tackle with the impact and challenges to the Bank's operation and management brought by the novel coronavirus pandemic.



活动时间：

2019年2月1日起至2019年12月31日。

活动内容：

光大咪咕普跑联名卡的新客户当月消费累计满88元（含）以上消费交易，可尊享本月跑步里程兑换信用卡积分活动。
(1公里=500个光大信用卡积分，每月最高可获赠25000积分)

详情参见官网



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Significant Events

I. FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

i. Profit Distribution Policy

In accordance with the profit distribution principle, specific policies and procedure of consideration stipulated in the *Articles of Association* of the Bank, the Bank shall prioritize cash dividends in profit distribution. Except for special situations, the profit to be distributed in cash each year shall be no less than 10% of the distributable profit of the year if both the profit for the year and the accumulated undistributed profit are positive.

ii. Profit Distribution Plan for 2019

Taking into account the interests of all shareholders, sustainable development of the Bank's business and the requirements of regulators on capital adequacy ratio, and pursuant to the provisions of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and the relevant requirements of the *Articles of Association* of the Bank, the Bank hereby formulates its 2019 profit distribution plan as follows:

1. Taking the net profit of the Bank of RMB36,567.4251 million in 2019 as base, a statutory surplus reserve of RMB1,873.1594 million was drawn based on the difference between 50 percent of registered capital and the balance of statutory surplus reserve. The accumulated provision of statutory surplus reserve has reached 50% of the Bank's registered capital.
2. According to the relevant provisions of *Management Measures for Provision of Reserves by Financial Institutions* promulgated by the Ministry of Finance, a general reserve of RMB5,379.5057 million was set aside at 1.5% of risk assets in 2019.
3. Distribution of dividends to shareholders of preference shares amounted to RMB2,218.6575 million (RMB1,060 million distributed on 25 June 2019 and RMB390 million distributed on 12 August 2019. Dividends of RMB768.6575 million were to be distributed).
4. Cash dividends was distributed to all shareholders of ordinary shares, with RMB2.14 (before tax) per 10 shares. Based on the Bank's issued shares of 52,489.3231 million as at the end of 2019, the total cash dividends amounted to RMB11,232.7151 million, accounting for 30.07% of the net profit attributable to equity shareholders of the Bank on consolidation basis. As the convertible bonds issued by the Bank are in the conversion period, the total cash dividends actually distributed will be determined based on the total number of shares registered on the date of record. The cash dividends were denominated and declared in RMB, paid to shareholders of A shares in RMB and paid to shareholders of H shares in HKD. The actual amount paid in HKD shall be calculated based on the average benchmark exchange rate of RMB against HKD announced by the People's Bank of China one week prior to the shareholders' general meeting (inclusive of the date of the shareholders' general meeting).
5. In 2019, the Bank did not implement capitalization of capital reserve funds.
6. The retained undistributed profits will be used to replenish capital in order to meet the capital adequacy ratio requirements of regulators.

The above profit distribution plan is subject to the approval of the 2019 Shareholders' General Meeting.

Significant Events

The profit distribution plan for 2019 of the Bank did not make any adjustment or amendments to the existing cash dividend policy of the Bank. The profit distribution plan complied with the *Articles of Association* of the Bank, reflecting clear and definite standards and proportion for dividend distribution as well as complete decision-making procedures and mechanism. The Board of Directors and the Board of Supervisors discussed and considered the profit distribution plan, and Independent Non-Executive Directors performed their duties to safeguard the legitimate rights and interests of minority shareholders. The above profit distribution plan will be submitted to the Shareholders' Annual General Meeting 2019 where all of the ordinary shareholders including minority shareholders have right to participate in and express their views and demands. The Annual General Meeting of the Bank shall open online voting, when the votes of minority shareholders in relation to the profit distribution plan will be counted separately as to fully protect the lawful rights interests of minority shareholders.

iii. Profit Distribution of Ordinary Shares and Cash Dividends for the Last Three Years

Item	Unit: RMB million, %		
	2019	2018	2017
Cash dividends	11,232.72	8,450.77	9,500.53
Proportion to net profit attributable to shareholders of the Bank	30.07	25.11	30.12

II. IMPORTANT UNDERTAKINGS AND PERFORMANCE OF UNDERTAKINGS GIVEN BY THE BANK AND THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS AND OTHER RELATED PARTIES

- i. CHI, substantial shareholder of the Bank, undertook that as long as CHI is the controlling shareholder or de facto controller of the Bank, CHI shall not be engaged in competitive business with the Bank. However, since CHI has been the investment arm of the Chinese government specialized in investing in banks and other financial institutions, the companies under CHI is not obligated with this undertaking. CHI's undertaking in this regard is effective for a permanent term. As of the end of the reporting period, there was no breach of undertakings committed by CHI.
- ii. Pursuant to the relevant provisions of CSRC, to ensure the Bank shall effectively implement remedy measures in relation to the public issuance of convertible bonds and non-public issuance of preference shares, all directors and senior management members of the Bank promised to faithfully and diligently perform their duties, safeguard the legitimate rights and interests of the Bank and all shareholders, and made the following commitments:
 1. They will never transfer interests to other entities or individuals for free or in an unfair way, and not to jeopardize the interests of the Bank by other means;
 2. They shall be thrifty, their work duty-related consumption shall be under restriction in strict compliance with the relevant requirements at the national, local and the Bank level, and they shall refrain from over-consumption and extravagance and waste;
 3. They will never utilize the Bank's assets in any investment or consumption activities irrelevant with the performance of their duties;
 4. They will try to propel the Board of Directors or the Remuneration Committee under the Board to formulate remuneration policy which is linked to the implementation of remedy measures for the return by the Bank;
 5. If the Bank launches any equity incentive scheme in the future, the conditions for exercising its rights under the intended equity incentive scheme shall be linked to the implementation of remedy measures for the return.

As of the end of the reporting period, there had been no violation of the commitments above by the directors and senior management members of the Bank.

iii. According to the Bank's plan on non-public issuance of H shares, China Everbright Group and Overseas Chinese Town Holdings Company respectively undertook that the H shares they subscribed from this issuance shall not be transferred within 60 months after the issuance ended.

On 22 December 2017, the Bank issued 4.2 billion H shares to Overseas Chinese Town Holdings Company and 1.61 billion H shares to China Everbright Group. As of the end of the reporting period, there was no breach of undertakings committed by either of the aforesaid two companies.

As far as the Bank is aware, other than the above matters, there is no material undertaking given by the Bank and the Bank's shareholders, directors, supervisors, senior management members or other related parties.

III. RESERVE

Please refer to "Consolidated Statement of Changes in Equity" for details about reserve change of the Bank.

IV. FIXED ASSETS

Please refer to "Notes to Consolidated Financial Statements" for details about the changes in fixed assets of the Bank as at the end of the reporting period.

V. PURCHASE, SALE OR REPURCHASE OF THE BANK'S LISTED SECURITIES

During the reporting period, the Bank and its subsidiaries did not purchase, sell or repurchase any listed securities of the Bank.

VI. PRE-EMPTIVE RIGHTS

The *Articles of Association* of the Bank does not provide on pre-emptive rights, and shareholders of the Bank have not been granted any pre-emptive right.

VII. RETIREMENT AND BENEFITS

Please refer to "Notes to Consolidated Financial Statements" for details about the retirement and benefits provided by the Bank to its employees.

VIII. MAJOR CUSTOMERS

As at the end of the reporting period, the operating income contributed by the top 5 major customers of the Bank did not exceed 30% of the Bank's operating income.

IX. USE OF CAPITAL BY THE CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

There was no non-operational capital occupation by the controlling shareholder or other related parties of the Bank. Ernst & Young Hua Ming LLP has issued a special audit opinion on it.

Significant Events

X. CHANGES IN ACCOUNTING POLICIES

For details of the changes in the accounting policies of the Bank during the reporting period, please refer to “Notes to the Consolidated Financial Statements”.

XI. APPOINTMENT AND RESIGNATION OF ACCOUNTING FIRM

i. Appointment of Accounting Firm for Auditing the 2019 Financial Statements

On 27 February 2019, the Bank convened the 2019 First Extraordinary General Meeting, deciding to engage Ernst & Young Hua Ming LLP as the accounting firm in charge of the Bank’s domestic audits for 2019 (Gu Jun and Leung Shing Kit as certified public accountants for signature) and to engage Ernst & Young as the accounting firm in charge of the Bank’s overseas audit for 2019 (Kam Cheong Geoffrey as certified public accountant for signature). The audit fees payable to the two firms amounted RMB8.65 million (inclusive of reimbursement and value-added tax). Both of the two accounting firms have provided audit services for the Bank for four consecutive years.

ii. Engagement of Accounting Firm for Internal Control Audit

On 27 February 2019, the Bank convened the 2019 First Extraordinary General Meeting, deciding to appoint Ernst & Young Hua Ming LLP as its internal control auditor for 2019, and the audit fees payable stood at RMB0.85 million (inclusive of reimbursement and value-added tax).

XII. MATTERS CONCERNING BANKRUPTCY OR REORGANIZATION

During the reporting period, no bankruptcy or reorganization took place at the Bank.

XIII. MATERIAL LITIGATION AND ARBITRATION MATTERS

The Bank was involved in some litigation and arbitration cases in its regular course of business, most of which were initiated by the Bank for the purpose of collecting non-performing loans. As at the end of the reporting period, the Bank is involved in 789 sued litigation and arbitration cases pending final judgment, which involved RMB2.6 billion. The above litigation and arbitration cases will not have a significant adverse impact on the financial position or operating performance of the Bank.

XIV. PENALTY IMPOSED ON THE BANK OR ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the reporting period, none of the Bank, its Directors, Supervisors, Senior Management members, controlling shareholder and de facto controller was subject to any investigation by the competent authorities, any mandatory measures by the judicial authorities or the disciplinary departments, transferal to the judicial authorities, criminal proceedings, investigation, administrative penalty or circulation of criticism by CSRC, or public censure by any stock exchange, or any penalty with significant impact on the Bank’s operation imposed by any other regulatory body.

XV. CREDIBILITY OF THE BANK, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the reporting period, the Bank, its controlling shareholder and de facto controller did not fail to comply with effective court judgments or repay significant matured debts.

XVI. IMPLEMENTATION OF STOCK INCENTIVE PLAN AND EMPLOYEE STOCK OWNERSHIP PLAN

As of the end of reporting period, the Bank did not implement any stock incentive plan or employee stock ownership plan.

XVII. MATTERS CONCERNING CONNECTED TRANSACTIONS OF THE BANK UNDER THE HONG KONG LISTING RULES

In accordance with the *Hong Kong Listing Rules*, the transactions between the Bank and its connected persons (as defined in the *Hong Kong Listing Rules*) constitute connected transactions of the Bank. The Bank has monitored and managed these connected transactions in accordance with the *Hong Kong Listing Rules*.

Details on material related party transactions which have occurred in the year ended on 31 December 2019 of the Bank were included in “Notes to the Consolidated Financial Statements”.

Certain transactions among the above related party transactions also constitute connected transactions as prescribed in Chapter 14A of the *Hong Kong Listing Rules*, and shall be subject to declaration, annual review and announcement as required in Chapter 14A of the *Hong Kong Listing Rules*. The above related party transactions have observed relevant provisions in Chapter 14A specifically:

i. Non-exempt Connected Transactions

1. Approval of transaction amount of acquisition of non-performing assets for connected legal person Everbright Jin’ou Asset Management Limited (“Everbright Jin’ou”)

On 20 June 2019, the Bank entered into an agreement with Everbright Jin’ou, pursuant to which, Everbright Jin’ou may acquire the non-performing assets under management of the Bank for commercial purposes under the premise of reasonable pricing and valuation.

Main terms and conditions of the agreement are listed as below:

Based on different project types, under the premise of consensus of negotiation and true and complete risk transfer between the Bank and Everbright Jin’ou, Everbright Jin’ou may entrust the Bank to assist with the disposal of non-performing assets or dispose as an agent, or Everbright Jin’ou shall collect the assets on its own.

The transactions contemplated under the Agreement shall be conducted on normal commercial terms and the rates shall be no less than the rates charged by the Bank to the independent third parties for comparable transactions. The disposal of non-performing assets by the Bank is conducted under the principle of marketization and legalization and in the mode of invitation tender. Qualified companies will be invited to make sealed bidding or open bidding. The Bank determines the transfer plan based on the circumstances such as the valuation of non-performing assets, and determines the counterparty and trading price on the prime principle. Everbright Jin’ou should participate in the bidding process on equal terms as that for other bidders to purchase the non-performing assets of the Bank.

The Bank approved a cumulative transaction amount of non-performing assets of RMB4 billion in aggregate to Everbright Jin’ou, with a single transaction under the amount not exceeding RMB2 billion. The validity period of the amount is three years and the annual cap is RMB4 billion.

Everbright Jin’ou is a subsidiary of China Everbright Group, the substantial shareholder of the Bank, thus Everbright Jin’ou is an associate of China Everbright Group and therefore a connected person of the Bank in accordance with the provisions under the *Hong Kong Listing Rules*.

Significant Events

2. Approval of bond underwriting amount for connected legal person China Everbright Group

On 6 September 2019, the Bank entered into an agreement with China Everbright Group, pursuant to which, the Bank agreed to provide bond underwriting service to China Everbright Group.

Main terms and conditions of the agreement are listed as below:

The Bank approved the bond underwriting amount of RMB5 billion to China Everbright Group. The underwriting amount is based on the balance management system and is valid for two years with an annual balance cap of RMB5 billion. The annual cap of the underwriting fee is RMB90 million. The issuance factors such as the current underwriting coupon rate under the business will be applied in accordance with the current underwriting approval process, and the guarantee form of the business is credit.

The Bank implemented stand-by underwriting for China Everbright Group within the amount of RMB5 billion according to the principle of fair price, and the purchase price shall be no less favourable than that of the bonds with similar terms underwritten by the Bank for comparable independent third parties of the same period. The transactions contemplated under the Agreement shall be conducted on normal commercial terms and the rates shall be no less favourable than the rates charged by the Bank to the independent third parties for comparable transactions.

China Everbright Group is a substantial shareholder of the Bank and constitutes a connected person of the Bank in accordance with the *Hong Kong Listing Rules*.

Independent Non-Executive Directors of the Bank had reviewed the above continuing connected transactions, and confirmed that the transactions are:

- (1) conducted in the usual course of business of the Bank;
- (2) conducted on normal commercial terms or better. If the transactions available for comparison are not sufficient to determine whether the terms of such transactions are normal commercial terms or not, the terms of such transactions are not less favourable than the same as those granted by the Bank to an independent third party; and
- (3) conducted in accordance with relevant transaction agreements with fair and reasonable terms, and in line with the overall interests of shareholders of the Bank.

The Bank has engaged an external auditor to report on continuing connected transactions of the Bank in compliance with the *Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the Hong Kong Institute of Certified Public Accountants, and with reference to the *Practice Note 740 Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*. The auditor has issued an unqualified opinion letter containing the verification results of the above continuing connected transactions in accordance with Article 14A.56 of the *Hong Kong Listing Rules*. The Bank has submitted a copy of this letter to The Stock Exchange of Hong Kong Limited.

Based on the work carried out, the auditor of the Bank has provided a letter to the Board of Directors confirming that, with respect to the disclosed continuing connected transactions mentioned above:

- (1) The auditor did not notice any matter convincing the auditor that the disclosed continuing connected transactions had not been approved by the Board of Directors of the Bank.
- (2) In respect of continuing connected transactions conducted by the Bank, the auditor did not notice any matter convincing the auditor that the transactions had not been conducted in accordance with the pricing policy of the Bank in all material respects.
- (3) The auditor did not notice any matter convincing the auditor that the transactions had not been conducted in accordance with the relevant agreements regulating the transactions in all material respects.
- (4) In respect of the total amount of each continuing connected transaction disclosed above, the auditor did not notice any matter convincing the auditor that the amount of such continuing connected transaction exceeded the annual cap set by the Bank.

ii. Exemptible Connected Transactions

During the reporting period, a series of connected transactions were carried out between the Bank and its connected persons in the ordinary course of business of the Bank. Pursuant to Chapter 14A of the *Hong Kong Listing Rules*, such connected transactions were exempted from reporting, annual review, announcement and independent shareholders' approval requirements.

VIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

i. Significant Events of Material Custody, Contracting or Leasing Assets of Other Companies, or Other Companies' Material Custody, Contracting or Leasing Assets of the Bank

Except for daily business, during the reporting period, there was no significant matter in relation to any material arrangement for custody, contracting and leasing of assets by or to the Bank.

ii. Significant Guarantee

The provision of guarantee is in the ordinary course of business at the Bank. During the reporting period, the Bank did not enter into any material guarantee which needed to be disclosed save for the financial guarantees within its business scope as approved by Central Bank and former CBRC.

iii. Explanatory Notes and Independent Opinion of Independent Non-Executive Directors Concerning the Provision of Guarantee by the Bank

In accordance with relevant regulations and requirements of the *Circular on Certain Issues concerning Regulating Capital Flow between Listed Companies and Their Related Parties and Listed Companies' Provision of Guarantee (2017 revision)* (CSRC announcement [2017] No.16), the Independent Non-Executive Directors of the Bank reviewed guarantee provided by the Bank on a just, fair and objective basis and issued their opinion as follows:

It was verified that the provision of external guarantee is one of the routine operations within the Bank's business scope which has been approved by Central Bank and former CBRC. As at the end of the reporting period, the Bank has a guarantee outstanding for the RMB180 million payable interests of financial bonds issued by China Everbright Group, which was backed up by counter guarantee provided by China Everbright Group with its 67,500,000 shares of a large securities firm. Save as disclosed, for the balance of the guarantee business of the Bank, please refer to the "Notes to the Consolidated Financial Statements".

Significant Events

Attaching importance to the risk management of guarantee business, the Bank formulated specific business management measures and operating procedures, and effectively monitored and prevented risks in the guarantee business by on-site and off-site inspections. During the reporting period, no business in violation of the above-mentioned regulations took place in the Bank.

iv. Significant Authorization to Others in Matters Relating to Cash Assets Management

During the reporting period, there was no significant authorization to others in matters relating to cash assets management.

v. Other Material Contracts

During the reporting period, the Bank had no other material contracts, and all contracts regarding operations of ordinary business were duly performed.

XIX. FULFILLMENT OF SOCIAL RESPONSIBILITIES

i. *The Bank Has Disclosed 2019 Corporate Social Responsibility Report. Please Refer to The Websites of SSE, HKEX and the Bank For Details.*

ii. Targeted Poverty Alleviation

During the reporting period, senior management of the Bank conducted multiple surveys in targeted poverty alleviation regions to follow up on the implementation of poverty alleviation programs. The Bank provided RMB6 million to poverty-stricken counties targeted by China Everbright Group for designated assistance. In addition, it took an active part in the drives to lift the designated regions out of poverty by sending young and middle-aged officials there to assist them. The Bank continued to make full use of the E-Commerce platform “Wonderful E-Shopping” to broaden sales channels for merchants from the poverty-stricken counties with a total sales volume reaching RMB20.5054 million, a year-on-year increase of 291.73%. Besides, the Bank improved the sales of local specialty products through measures such as endorsement by the Chairman, product purchase for welfare purpose and exhibition of poverty alleviation results. While continuously promoting charitable poverty alleviation, the Bank supported

the “Water Cellar for Mothers”, a public charity program initiated by China Women’s Development Foundation, for 15 consecutive years. In 2019, it donated RMB3 million to the program to improve access to safe drinking water in water-deficient areas, making its accumulative donations to the program reaching RMB40.42 million. The Bank donated a total of RMB19.51 million in 2019. Please refer to the *2019 Corporate Social Responsibility Report* for more details on targeted poverty alleviation.

iii. Environment Information

The Bank vigorously developed green finance, supported the development of energy-saving and environment-friendly industries, persisted on green operation, and carried out environment-friendly public welfare activities. The Bank is not among the key pollutant discharging units published by the Ministry of Environmental Protection. Please refer to the *2019 Corporate Social Responsibility Report* for more details on environment information.



XX. OTHER SIGNIFICANT EVENTS

i. Issuance of the Third Tranche of Preference Shares

In March 2019, CSRC approved the Bank's non-public offering of up to 350 million preference shares. In July 2019, the Bank issued 350 million preference shares with a coupon rate of 4.80% and raised funds amounting to RMB35 billion.

ii. Issuance of non-fixed term capital bonds

In March 2019, the 35th Meeting of the Seventh Session of the Board of Directors of the Bank reviewed and approved the *Proposal in relation to the Issuance of Non-fixed Term Capital Bonds*, and agreed to issue non-fixed term capital bonds of no more than RMB40 billion or equivalent in foreign currencies. In May 2019, the Shareholders' General Meeting of the Bank considered and approved the proposal. As at the disclosure date of this Report, this matter is in progress.

iii. Complete the change of session of the Board of Directors and the Board of Supervisors

Members of the Eighth Session of the Board of Directors and the Board of Supervisors were elected at the 2019 Second Extraordinary General Meeting held in July 2019 by the Bank. The Board of Directors consisted of 18 members, including 10 Non-Executive Directors, 2 Executive Directors and 6 Independent Non-Executive Directors. The re-elected directors shall perform their duties right upon their election, and the newly elected directors shall formally perform their duties after their qualifications get approved by CBIRC. The Board of Supervisors consisted of 9 members, including 3 Shareholder Supervisors, 3 External Supervisors and 3 Employee Supervisors.

iv. Establishment of Everbright Wealth Management Co., Ltd.

In September 2019, CBIRC approved the establishment of Everbright Wealth Management Co., Ltd. as China's first wealth management subsidiary under a joint-stock commercial bank.

v. Approval of the preparations for the establishment of Beijing Sunshine Consumer Finance Co., Ltd.

The company is a subsidiary controlled by the Bank. In January 2020, the Bank received the *Reply on Preparations for the Establishment of Beijing Sunshine Consumer Finance Co., Ltd.* from CBIRC (CBIRC reply [2020] No. 16), approving the preparations for establishing the company by the Bank.

XXI. SIGNIFICANT EVENTS OF SUBSIDIARIES

i. Everbright Financial Leasing Co., Ltd.

During the reporting period, the company neither made profit distribution nor got involved in any material litigation or arbitration, acquisition or disposal of major assets, material related transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged EY Hua Ming to audit its annual financial report.

ii. Everbright Wealth Management Co., Ltd.

During the reporting period, the company neither made profit distribution nor got involved in any material litigation or arbitration, acquisition or disposal of major assets, material related transaction, material contract, judicial or administrative investigation or administrative penalty. The company engaged EY Hua Ming to audit its annual financial report.

Significant Events

iii. CEB International Investment Corporation Limited

During the reporting period, the company neither made profit distribution nor got involved in any material litigation or arbitration, acquisition or disposal of major assets, material related transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged EY to audit its financial report.

iv. China Everbright Bank (Europe) S.A.

During the reporting period, the company neither made profit distribution nor got involved in any material litigation or arbitration, acquisition or disposal of major assets, material related transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged EY to audit its financial statements.

v. Shaoshan Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank neither made profit distribution nor got involved in any material litigation or arbitration, acquisition or disposal of major assets, material related transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged Baker Tilly China Certified Public Accountants LLP to audit its annual financial report.

vi. Jiangsu Huai'an Everbright Rural Bank Co., Ltd.

In July 2019, the rural bank distributed cash dividends of RMB6 million among all shareholders. During the reporting period, the rural bank had no material litigation or arbitration, acquisition or disposal of major assets, material related transaction, material contract, judicial or administrative investigation or administrative penalty. It engaged Huai'an Xinrui Public Accounting Firm LLP to audit its annual financial report.

vii. Jiangxi Ruijin Everbright Rural Bank Co., Ltd.

During the reporting period, the rural bank neither made profit distribution nor got involved in any material litigation or arbitration, acquisition or disposal of major assets, material related transaction, material contract, judicial or administrative investigation or administrative penalty. The rural bank engaged Dayu Zhongguan Joint Accounting Firm to audit its annual financial report.

XXII. PROFESSIONAL LIABILITY INSURANCE FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the reporting period, the Bank established a professional liability insurance system for the Directors, Supervisors and Senior Management Members in accordance with relevant laws and regulations and the *Articles of Association* of the Bank. The *Articles of Association* of the Bank and such professional liability insurance system set out relevant permitted indemnity provisions, and such insurance policies shall cover relevant liabilities of the insured parties and indemnify relevant fees resulted from possible litigations in accordance with provisions thereunder.

XXIII. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Please refer to “the notes to the Consolidated Financial Statements”.

XXIV. REVIEW OF ANNUAL RESULTS

EY Hua Ming and EY respectively audited the Bank's financial statements, which were prepared according to the PRC GAAP and IFRS respectively, and issued the standard unqualified auditor's reports. The Board of Directors and its Audit Committee have reviewed the annual results and financial reports of the Bank for 2019.

XXV. PUBLICATION OF ANNUAL REPORT

The Annual Report, in Chinese and English, prepared by the Bank in accordance with the IFRS and the *Hong Kong Listing Rules*, are available at the websites of HKEX and the Bank.

Changes in Ordinary Share Capital and Shareholders

I. CHANGES IN SHARES

Unit: share, %

	Before change		Changes during the reporting period Conversion of convertible bonds	After change	
	Number	Percentage		Number	Percentage
I. Shares subject to trading moratorium	5,810,000,000	11.07	–	5,810,000,000	11.07
1. Shares held by state-owned legal persons	5,810,000,000	11.07	–	5,810,000,000	11.07
II. Shares not subject to trading moratorium	46,679,265,354	88.93	57,747	46,679,323,101	88.93
1. RMB-denominated ordinary shares	39,810,529,854	75.84	57,747	39,810,587,601	75.84
2. Overseas listed foreign shares	6,868,735,500	13.09	–	6,868,735,500	13.09
III. Total shares	52,489,265,354	100.00	57,747	52,489,323,101	100.00

II. SECURITIES ISSUANCE AND LISTING

i. Securities Issuance

During the reporting period, a total of RMB235,000 A-share convertible bonds were converted to A-share ordinary shares of the Bank, and the accumulated number of shares converted was 57,747.

At the end of the reporting period, the total shares of the Bank stood at 52,489,323,101 shares, including 39,810,587,601 A shares and 12,678,735,500 H shares.

ii. Bond Issuance and Redemption

On 10 June 2019, pursuant to the requirements of the relevant terms in the prospectus for the issuance of the bonds, the Bank redeemed the bonds on a lump sum basis on the last day of the fifth interest-bearing year of the bonds (10 June 2019), which were the RMB16.2 billion worth of 10-year tier-2 capital bonds issued on 9 June 2014. Please refer to the Bank's announcement on 10 June 2019 for details.

iii. Save for the above, there was no change in the total number of shares, shareholding structure or assets and liabilities structure of the Bank as a result of bonus issue, capitalization of capital reserves, rights issue, adoption or exercise of share incentive scheme, mergers, capital reduction, listing of employee shares or for other reasons.

iv. The Bank had no employee shares.

III. NUMBER OF SHAREHOLDERS

	Unit: Shareholder	
	A Shares	H Shares
Total number of shareholders as at the end of the reporting period	172,614	906
Total number of shareholders as at the last trading day of the month prior to the disclosure of the A share annual report	190,893	—

IV. SHAREHOLDING OF TOP TEN SHAREHOLDERS

Name of shareholder	Nature of shareholder	Change in the reporting period (+, -)	Class of shares	Number of shares held	Unit: Share, %	
					Shareholding percentage	Number of shares pledged/frozen
China Everbright Group Ltd.	Domestic legal person	—	A shares	11,565,940,276	22.03	—
Hong Kong Securities Clearing Company Nominees Limited including Overseas Chinese Town Holdings Company	—	-1,615,977,100	H shares	1,782,965,000	3.40	—
Ocean Fortune Investment Limited	Overseas legal person	—	H shares	11,057,294,380	21.07	Unknown
China Life Reinsurance Company Ltd.	Domestic legal person	—	H shares	4,200,000,000	8.00	—
Central Huijin Investment Ltd.	State	—	H shares	1,605,286,000	3.06	—
China Everbright Limited	Overseas legal person	—	A shares	1,530,397,000	2.92	—
China Securities Finance Corporation Limited	Domestic legal person	—	A shares	10,250,916,094	19.53	—
Hong Kong Securities Clearing Company Ltd.	—	294,606,834	A shares	1,572,735,868	3.00	—
China Reinsurance (Group) Corporation	Domestic legal person	—	A shares	1,550,215,694	2.95	—
Shenergy (Group) Co., Ltd.	Domestic legal person	—	H shares	804,758,986	1.53	—
COSCO Shipping (Shanghai) Investment Management Co., Ltd.	Domestic legal person	—	A shares	413,094,619	0.79	—
Central Huijin Asset Management Ltd.	Domestic legal person	—	A shares	376,393,000	0.72	—
			A shares	766,002,403	1.46	—
			A shares	723,999,875	1.38	—
			A shares	629,693,300	1.20	—

Changes in Ordinary Share Capital and Shareholders

Notes:

- As at the end of reporting period, 1,610 million H shares held by China Everbright Group and 4,200 million H shares held by Overseas Chinese Town Holdings Company were subject to trading moratorium. Besides them, all other ordinary shares were not subject to trading moratorium.
- The Bank was aware that as at the end of the reporting period, CHI held 55.67% and 71.56% interest in China Everbright Group and China Reinsurance (Group) Corporation, respectively. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of CHI. China Everbright Limited is a subsidiary indirectly controlled by China Everbright Group. China Life Reinsurance Company Ltd. is a wholly-owned subsidiary of China Reinsurance (Group) Corporation. COSCO Shipping (Shanghai) Investment Management Co., Ltd., formerly known as Shanghai COSCO Shipping Corporate Development Co., Ltd, and Ocean Fortune Investment Limited are both subsidiaries indirectly controlled by China Shipping (Group) Company. Save for the above, the Bank is not aware of any connected party relationship or concerted action among the above shareholders.
- The total number of H shares of the Bank held by the Hong Kong Securities Clearing Company Nominees Limited acting as the nominee for all institutional and individual investors that maintain an account with it was 11,057,294,380 H shares as at the end of the reporting period. Among them, 4,200,000,000, 1,605,286,000, 1,530,397,000, 376,393,000 and 172,965,000 H shares of the Bank were held by Overseas Chinese Town Holdings Company, Ocean Fortune Investment Limited, China Life Reinsurance Company Ltd., China Reinsurance (Group) Corporation and China Everbright Group respectively. The number of remaining H shares of the Bank held under it was 3,172,253,380 H shares. 1,610,000,000 H shares previously held by Hong Kong Securities Clearing Company Nominees Limited on behalf of China Everbright Group were transferred to be held by China Everbright Group directly.
- As at the end of reporting period, as the nominee holder, Hong Kong Securities Clearing Company Ltd. held, designated by and on behalf of others, 804,758,986 A shares of the Bank in total, including the shares under Shanghai Stock Connect held by Hong Kong and overseas investors.

V. TIME OF LISTING AND TRADING FOR SHARES SUBJECT TO TRADING MORATORIUM

Unit: Share

Time	Number of shares available for listing and trading upon the expiration of trading moratorium	Remaining shares subject to trading moratorium	Remaining shares not subject to trading moratorium
22 December 2022	5,810,000,000	5,810,000,000	46,679,323,101

VI. SHAREHOLDING OF TOP TEN SHAREHOLDERS OF SHARES SUBJECT TO TRADING MORATORIUM AND SPECIFIC TRADING MORATORIUM

Unit: Share

Name of shareholder of shares subject to trading moratorium	Number of shares subject to trading moratorium	Date for trading	Number of shares newly available for listing and trading	Specific trading moratorium
Overseas Chinese Town Holdings Company	4,200,000,000	22 December 2022	–	H-share lock-up period
China Everbright Group Ltd.	1,610,000,000	22 December 2022	–	H-share lock-up period

VII. CONFIRMATION OF THE BANK'S COMPLIANCE WITH REQUIREMENT OF SUFFICIENCY OF PUBLIC FLOAT UNDER THE HONG KONG LISTING RULES

Based on publicly available information and to the knowledge of the Directors, as at 31 December 2019, the Bank had maintained the minimum public float as required by the *Hong Kong Listing Rules* and the waiver granted by HKEX.

VIII. PROFILE OF SUBSTANTIAL SHAREHOLDERS OF THE BANK

i. China Everbright Group Ltd.

1. Basic information

Company name:	China Everbright Group Ltd.
Legal representative:	Li Xiaopeng
Date of establishment:	12 November 1990
Registered capital:	RMB60.0 billion
Scope of business:	investment in and management of financial enterprises engaged in banking, securities, insurance, fund, trust, futures, leasing, gold and silver trading; asset management; investment in and management non-financial enterprises. (Business activities shall be carried out subject to the company's free choice according to law; business activities which are subject to relevant approval in accordance with applicable laws shall be carried out only after obtaining such approvals granted by competent regulatory authorities; and no business activities in the prohibited or restricted categories of the municipal industry policies shall be carried out).

2. Shareholding in other domestic and overseas listed companies

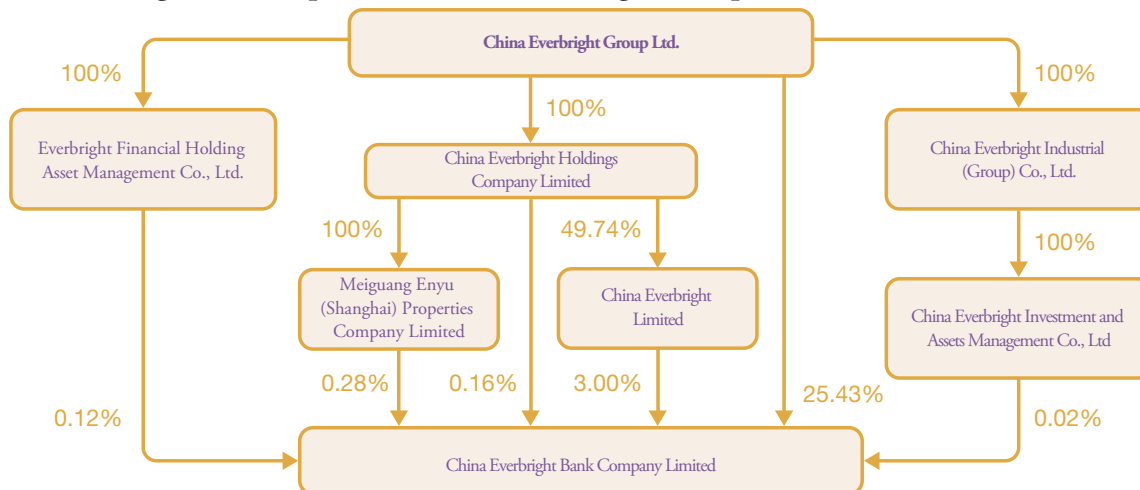
As at 31 December 2019, the shareholding of China Everbright Group in other domestic and overseas listed companies were listed as follows:

Company name	Stock exchanges for listing	Shareholding percentage
Everbright Securities Co., Ltd.	SSE, HKEX	46.45
China Everbright Limited	HKEX	49.74
China Everbright International Limited	HKEX	42.39
China CYTS Tours Holding Co., Ltd.	SSE	20.00
Cachet Pharmaceutical Company Limited	SZSE	28.47
Everbright Grand China Assets Limited	HKEX	74.99
Shenwan Hongyuan Group Co., Ltd.	SZSE, HKEX	3.99

3. The controlling shareholder of China Everbright Group is CHI with a shareholding percentage reaching 55.67%

Changes in Ordinary Share Capital and Shareholders

4. Shareholding relationship between China Everbright Group and the Bank



5. There is no pledge or freezing of China Everbright Group's equity.

ii. Central Huijin Investment Ltd.

1. Basic information

Company name: Central Huijin Investment Ltd.
 Legal Representative: Peng Chun
 Date of establishment: 16 December 2003
 Registered capital: RMB828,209 million
 Business scope: equity investment in major state-owned financial enterprises in accordance with authorization by the State Council; other relevant businesses approved by the State Council.

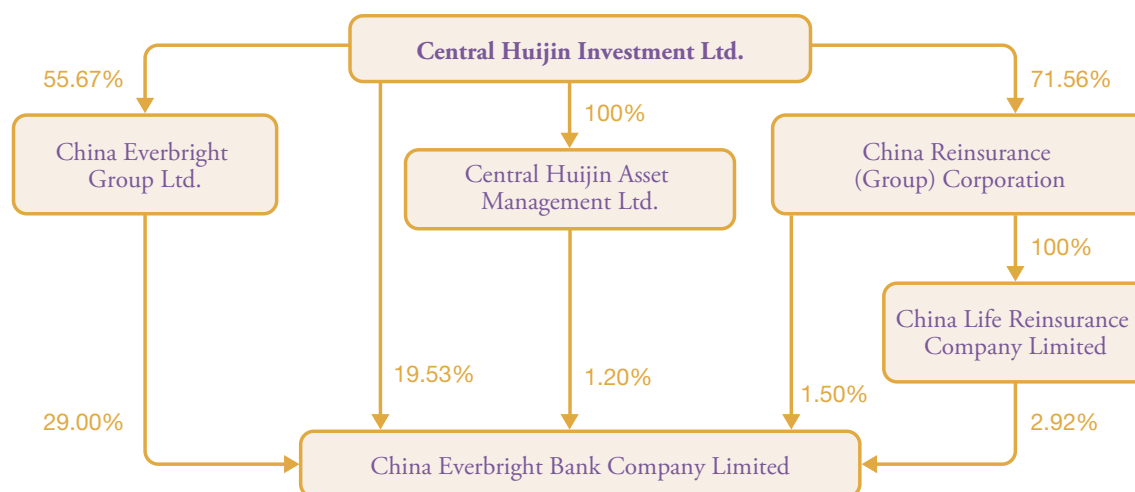
2. Shareholding in other domestic and overseas listed companies

Company Name	Stock Exchange for Listing	Shareholding Percentage
Industrial and Commercial Bank of China Limited	SSE, HKEX	34.71
Agricultural Bank of China Limited	SSE, HKEX	40.03
Bank of China Limited	SSE, HKEX	64.02
China Construction Bank Corporation	SSE, HKEX	57.11
China Reinsurance (Group) Corporation	HKEX	71.56
New China Life Insurance Company Limited	SSE, HKEX	31.34
Shenwan Hongyuan Group Co., Ltd.	SZSE, HKEX	20.05
China International Capital Corporation Limited	HKEX	44.32
CSC Securities Co., Ltd.	HKEX	31.21

Unit: %

3. The controlling shareholder of CHI is CIC with a shareholding percentage of 100%.

4. Shareholding relationship between CHI and the Bank



5. There is no pledge or freezing of CHI's equity.

iii. Other Substantial Shareholders Holding More than 5% Shares of the Bank

Overseas Chinese Town Holdings Company directly holds 8% shares at the Bank, and dispatches directors to the Bank. As one of the Bank's substantial shareholders, the company has its controlling shareholder as the State-owned Assets Supervision and Administration Commission of the State Council of China, with the shareholding percentage up to 100%. The company was established in December 1987, with a registered capital of RMB12,000 million, and its legal representative is Duan Xiannian. It mainly engages in investment in tourism and related cultural industries (including performing arts, entertainment and its services), industry, real estate, commerce and trade, packaging, decoration and printing industries; tourism, warehouse rental, arts and culture, donated car bonded warehouse, and conference and exhibition services. There is no pledge or freezing of the company's equity.

iv. Other Substantial Shareholders under Regulatory Standards

In accordance with the *Measures for Equity Management of Commercial Banks* (Decree No.1 of CBRC in 2018), substantial shareholders of the Bank also include:

1. China COSCO Shipping Corporation Limited ("COSCO Shipping") indirectly holds a total of 4.44% shares of the Bank through its subsidiaries COSCO Shipping (Shanghai) Investment Management Co., Ltd. and Ocean Fortune Investment Limited, dispatches directors to the Bank, and thus constitutes a substantial shareholder of the Bank. Established in February 2016 with a registered capital of RMB11 billion and legal representative of Mr. Xu Lirong, COSCO Shipping is mainly engaged in the auxiliary business of international shipping and sea transportation; import and export of goods and technologies; international sea, land and air freight agency business; self-owned ship chartering; sales of ships, containers and steel; design of ocean engineering equipment; investment in docks and ports; sales of communication equipment, and provision of information and technical services; storage (except for hazardous chemicals); technological development, transfer, consultation and services in the fields of shipping and spare parts; and equity investment fund. There is no pledge or freezing of the company's equity.

Changes in Ordinary Share Capital and Shareholders

2. China Reinsurance (Group) Corporation holds directly and indirectly a total of 4.42% shares at the Bank and dispatches directors to the Bank, and thus constitutes a substantial shareholder of the Bank. Its controlling shareholder is CHI, with the shareholding percentage up to 71.56%. China Reinsurance (Group) Corporation was established in August 1996 with a registered capital of RMB42,479.80 million, and its legal representative is Yuan Linjiang. It mainly engages in the establishment of insurance enterprises through investment, investment business and domestic and international reinsurance business permitted by national laws and regulations. There is no pledge or freezing of the company's equity.
3. China Everbright Limited holds 3% shares at the Bank and dispatches supervisors to the Bank, thus constituting one of the Bank's substantial shareholders. China Everbright Limited, which was founded in August 1972 (the name of "Everbright Limited" was adopted in 1997), has issued 1,685 million shares, and its Chairman is Cai Yunge. The company is China's leading cross-border investment and asset management company, and China's sole Hong Kong-listed company with alternative asset management as the core business. The company is committed to becoming a "world-leading cross-border asset management company" mainly engaged in fund management and proprietary fund investment. Meanwhile, the company develops coordinately by providing funds required for project cultivation and fund development through proprietary fund investment business. There is no pledge or freezing of the company's equity.
4. Shenergy (Group) Co., Ltd. holds 1.46% shares at the Bank and dispatches supervisors to the Bank, thus constituting one of the Bank's substantial shareholders. The company is under the actual control of Shanghai Municipal State-owned Assets Supervision and Administration Commission. The company was established in November 1996, with a registered capital of RMB10,000 million and its legal representative Huang Di'nan. It mainly engages in the investment, development and management of basic industries of electric power and energy, investment in natural gas resources and urban gas pipe network, investment and management of real estate and high-tech industries, industry investment, asset management and domestic trade (except special provisions). There is no pledge or freezing of the company's equity.

v. Connected Transactions with Substantial Shareholders

The Bank has treated about 2000 enterprises including the above substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as its related parties. During the reporting period, the Bank incurred 56 connected transactions with 42 related parties, involving a total amount of RMB78,989 million. The above connected transactions have been reported to the Board of Directors and its Related Party Transactions Control Committee for approval or filing purpose in accordance with related procedures.

IX. INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at 31 December 2019, as far as the directors and supervisors of the Bank were aware, the following persons or corporations (other than directors, supervisors or chief executives of the Bank) had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the *Securities and Futures Ordinance of Hong Kong* (“HKSF”) or which were required to be notified to the Bank:

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of relevant shares in issue (%) ^{4,5}	Percentage of the total issued shares (%) ^{4,5}
China COSCO Shipping Corporation Limited ¹	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	3.06
China Shipping (Group) Company ¹	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	3.06
COSCO Shipping Financial Holdings Co., Limited ¹	H shares	Interest of controlled corporation	Long	1,605,286,000	12.66	3.06
Ocean Fortune Investment Limited ¹	H shares	Beneficial owner	Long	1,605,286,000	12.66	3.06
Central Huijin Investment Ltd. ²	H shares	Interest of controlled corporation	Long	3,773,385,000	29.76	7.19
China Everbright Group Ltd. ²	H shares	Beneficial owner/Interest of controlled corporation	Long	1,866,595,000	14.72	3.56
China Reinsurance (Group) Corporation ²	H shares	Beneficial owner/Interest of controlled corporation	Long	1,906,790,000	15.04	3.63
China Life Reinsurance Company Ltd. ²	H shares	Beneficial owner	Long	1,530,397,000	12.07	2.92
Overseas Chinese Town Holdings Company	H shares	Beneficial owner	Long	4,200,000,000	33.13	8.00
China Everbright Group Ltd. ³	A shares	Beneficial owner/Interest of controlled corporation	Long	15,352,744,557	38.56	29.25
Central Huijin Investment Ltd. ³	A shares	Beneficial owner/Interest of controlled corporation	Long	26,669,621,565	66.99	50.81

Notes:

- Ocean Fortune Investment Limited holds a long position in 1,605,286,000 H shares of the Bank directly. As far as the Bank is aware, Ocean Fortune Investment Limited is wholly-owned by COSCO Shipping Financial Holdings Co., Limited, which is wholly-owned by China Shipping (Group) Company. China Shipping (Group) Company is wholly-owned by China COSCO Shipping Corporation Limited. In accordance with the HKSF, China COSCO Shipping Corporation Limited, China Shipping (Group) Company and COSCO Shipping Financial Holdings Co., Limited are deemed to be interested in the 1,605,286,000 H shares held by Ocean Fortune Investment Limited.
- China Life Reinsurance Company Ltd. holds a long position in 1,530,397,000 H shares of the Bank directly. China Reinsurance (Group) Corporation holds a long position in 376,393,000 H shares of the Bank directly. China Everbright Group directly holds a long position in 1,782,965,000 H shares of the Bank. China Everbright Holdings Company Limited holds a long position in 83,630,000 H shares of the Bank directly. As far as the Bank is aware, China Life Reinsurance Company Ltd. is wholly-owned by China Reinsurance (Group) Corporation, while 71.56% of the issued share capital of China Reinsurance (Group) Corporation is held by CHI, China Everbright Group Holdings Company Limited is wholly-owned by China Everbright Group, while 55.67% of the issued share capital of China Everbright Group is held by CHI. In accordance with the HKSF, China Reinsurance (Group) Corporation is deemed to be interested in the 1,530,397,000 H shares held by China Life Reinsurance Company Ltd., while China Everbright Group is deemed to be interested in the 83,630,000 H shares held by China Everbright Holdings Company Limited. Therefore, CHI is deemed to be interested in a total of 3,773,385,000 H shares of the Bank indirectly.

Changes in Ordinary Share Capital and Shareholders

3. China Everbright Group directly holds a long position in 13,586,625,426 A shares of the Bank, and is deemed to be indirectly interested in a long position in a total of 1,789,292,126 A shares of the Bank held by its subsidiaries as follows:

- (1) China Everbright Limited directly holds a long position in 1,572,735,868 A shares of the Bank.
- (2) Meiguang Enyu (Shanghai) Properties Company Limited directly holds a long position of 148,156,258 A shares of the Bank.
- (3) China Everbright Investment and Assets Management Co., Ltd. directly holds a long position of 8,000,000 A shares of the Bank.
- (4) Everbright Financial Holding Asset Management Co., Ltd. directly holds a long position of 60,400,000 A shares of the Bank.

Therefore, China Everbright Group directly and indirectly holds a long position of 15,375,917,552 A shares of the Bank in total.

CHI directly holds a long position in 10,250,916,094 A shares of the Bank, whereas China Reinsurance (Group) Corporation and Central Huijin Asset Management Ltd. directly hold a long position of 413,094,619 and 629,693,300 A shares of the Bank, respectively. As far as the Bank is aware, 100% of the issued share capital of Central Huijin Asset Management Ltd., 71.56% of the issued share capital of China Reinsurance (Group) Corporation and 55.67% of the issued share capital of China Everbright Group are held by CHI respectively. In accordance with the HKSFPO, CHI is deemed to be interested in the long position in 629,693,300 A shares held by Central Huijin Asset Management Ltd., the long position in 413,094,619 A shares held by China Reinsurance (Group) Corporation, and the long position in 13,586,625,426 A shares held by China Everbright Group. Therefore, CHI directly and indirectly holds a long position of 26,669,621,565 A shares of the Bank in total.

4. At 31 December 2019, the total issued share capital of the Bank was 52,489,323,101 shares, including 39,810,587,601 A shares and 12,678,735,500 H shares.

5. The percentage of shareholdings is rounded to two decimal places.

Save as disclosed above, as at 31 December 2019, the Bank had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the HKSFPO, or which were recorded in the register required to be kept by the Bank under Section 336 of the HKSFPO.

X. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at 31 December 2019, as far as the directors and supervisors of the Bank were aware, none of the directors, supervisors or chief executives of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the HKSFPO) which were required to be recorded in the register required to be kept under Section 352 of the HKSFPO, or which were required to be notified to the Bank and HKEX pursuant to Divisions 7 and 8 of Part XV of the HKSFPO, or which are required to be notified to the Bank and HKEX pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (“*Model Code*”) set out in Appendix 10 to the *Hong Kong Listing Rules* nor had they been granted the right to acquire any interests in shares or debentures of the Bank or any of its associated corporations.

Changes in Preference Share Capital and Shareholders

I. ISSUANCE AND LISTING OF PREFERENCE SHARES

Unit: %, Ten Thousand Shares

Code	Abbreviation	Date of issuance	Issuance price (RMB)	Coupon rate	Issuance volume	Date of listing	Approved volume for listing and trading	Approved volume for listing and trading
360013	Everbright P1	19 June 2015	100	5.30	20,000	21 July 2015	20,000	-
360022	Everbright P2	8 August 2016	100	3.90	10,000	26 August 2016	10,000	-
360034	Everbright P3	15 July 2019	100	4.80	35,000	5 August 2019	35,000	-

II. USE OF PROCEEDS

In response to higher requirements on capital raised by regulators, the Bank issued preference shares to ensure sustainable business development and improve its capital structure. On 15 July 2019, the Bank privately issued 350 million preference shares at a par value of RMB100 per share, with proceeds of RMB34,959 million raised after deducting the issuance expenses. All the proceeds were used to replenish the additional tier-1 capital.

III. TOTAL NUMBER OF PREFERENCE SHAREHOLDERS AND SHAREHOLDINGS OF TOP TEN PREFERENCE SHAREHOLDERS

i. Everbright P1 (Code 360013)

Unit: Share, %

Number of preference shareholders as at the end of the reporting period (shareholder)							17
Number of preference shareholders as at the last trading day of the month prior to the disclosure of this annual report (shareholder)							17
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/frozen	
Bank of Communications Schroder Fund Management Co., Ltd.	Others	-	37,750,000	18.88	Domestic preference shares	-	
China CITIC Bank Corporation Limited	Others	-	17,750,000	8.88	Domestic preference shares	-	
Chuangjin Hexin Fund Management Limited	Others	-	15,510,000	7.76	Domestic preference shares	-	
BOCI Securities Limited	Others	-	15,500,000	7.75	Domestic preference shares	-	
Bank of Communications International Trust Co., Ltd.	Others	-	15,500,000	7.75	Domestic preference shares	-	
Hwabao Trust Co., Ltd.	Others	-	13,870,000	6.94	Domestic preference shares	-	
China Resources SZITIC Trust Co., Ltd.	Others	-	13,870,000	6.94	Domestic preference shares	-	
CCB Trust Co., Ltd.	Others	-	10,000,000	5.00	Domestic preference shares	-	
China Ping An Property & Casualty Insurance Co., Ltd.	Others	-	10,000,000	5.00	Domestic preference shares	-	
China Ping An Life Insurance Co., Ltd.	Others	-	10,000,000	5.00	Domestic preference shares	-	

Note: Bank of Communications Schroder Fund Management Co., Ltd. and Bank of Communications International Trust Co., Ltd. have connected relations. China Ping An Property & Casualty Insurance Co., Ltd. and China Ping An Life Insurance Co., Ltd. have connected relations. Save for the above, the Bank is not aware of any connected relationship or concerted actions among the above shareholders of preference shares and the top ten shareholders of ordinary shares.

Changes in Preference Share Capital and Shareholders

ii. Everbright P2 (Code 360022)

Unit: Share, %

						Unit: Share, %	
Number of preference shareholders as at the end of the reporting period (shareholder)						23	
Number of preference shareholders as at the last trading day of the month prior to the disclosure of this annual report (shareholder)						23	
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/frozen	
AXA SPDB Investment Managers Co., Ltd.	Others	-	16,470,000	16.47	Domestic preference shares	-	
Shanghai Wisdom Asset Management Co., Ltd.	Others	-	13,090,000	13.09	Domestic preference shares	-	
China Everbright Group Ltd.	Others	-	10,000,000	10.00	Domestic preference shares	-	
China Life Insurance Company Limited	Others	-	8,180,000	8.18	Domestic preference shares	-	
Postal Savings Bank of China Co., Ltd.	Others	-	7,200,000	7.20	Domestic preference shares	-	
Bank of Communications Schroder Fund Management Co., Ltd.	Others	-	6,540,000	6.54	Domestic preference shares	-	
Bank of Communications International Trust Co., Ltd.	Others	-	6,540,000	6.54	Domestic preference shares	-	
China Resources SZITIC Trust Co., Ltd.	Others	-	3,680,000	3.68	Domestic preference shares	-	
Bank of Hangzhou Co., Ltd.	Others	-	3,270,000	3.27	Domestic preference shares	-	
HuaAn Future Asset Management (Shanghai) Limited	Others	-	3,270,000	3.27	Domestic preference shares	-	
BOCI Securities Limited	Others	-	3,270,000	3.27	Domestic preference shares	-	
China CITIC Bank Corporation Limited	Others	-	3,270,000	3.27	Domestic preference shares	-	

Note: China Everbright Group is one of the top ten shareholders of the ordinary shares of the Bank. Bank of Communications Schroder Fund Management Co., Ltd. and Bank of Communications International Trust Co., Ltd. have connected relations. Save for the above, the Bank is not aware of any connected relationship or concerted actions among the above shareholders of preference shares and the top ten shareholders of ordinary shares.

iii. Everbright P3 (Code 360034)

Unit: Share, %

							20
							20
Name of shareholder	Nature of shareholder	Changes in shareholding during the reporting period	Number of shares held	Percentage of shareholding	Type of shares	Number of shares pledged/frozen	
China Ping An Life Insurance Co., Ltd.	Others	84,110,000	84,110,000	24.04	Domestic preference shares	-	
China Life Insurance Company Limited	Others	47,720,000	47,720,000	13.63	Domestic preference shares	-	
CCB Trust Co., Ltd.	Others	31,810,000	31,810,000	9.09	Domestic preference shares	-	
Bank of Communications Schroder Fund Management Co., Ltd.	Others	27,270,000	27,270,000	7.79	Domestic preference shares	-	
New China Life Insurance Company Limited	Others	27,270,000	27,270,000	7.79	Domestic preference shares	-	
China Ping An Property & Casualty Insurance Co., Ltd.	Others	18,180,000	18,180,000	5.19	Domestic preference shares	-	
CITIC-Prudential Life Insurance Company Limited	Others	15,000,000	15,000,000	4.28	Domestic preference shares	-	
Bosera Asset Management Co., Limited	Others	13,630,000	13,630,000	3.89	Domestic preference shares	-	
Postal Savings Bank of China Co., Ltd.	Others	13,630,000	13,630,000	3.89	Domestic preference shares	-	
China Post & Capital Fund Management Co., Ltd.	Others	9,090,000	9,090,000	2.60	Domestic preference shares	-	
Taiping Life Insurance Co., Ltd.	Others	9,090,000	9,090,000	2.60	Domestic preference shares	-	
Bank of Beijing Co., Ltd.	Others	9,090,000	9,090,000	2.60	Domestic preference shares	-	
Taiping Asset Management Co., Ltd.	Others	9,090,000	9,090,000	2.60	Domestic preference shares	-	
China Resources SZITIC Trust Co., Ltd.	Others	9,090,000	9,090,000	2.60	Domestic preference shares	-	
Manulife Teda Fund Management Co., Ltd.	Others	9,090,000	9,090,000	2.60	Domestic preference shares	-	

Note: China Ping An Life Insurance Co., Ltd. and China Ping An Property & Casualty Insurance Co., Ltd. have connected relations. Postal Savings Bank of China Co., Ltd. and China Post & Capital Fund Management Co., Ltd. have connected relations. Taiping Life Insurance Co., Ltd. and Taiping Asset Management Co., Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concerted action among the above shareholders of preference share and the top ten shareholders of ordinary shares.

Changes in Preference Share Capital and Shareholders

IV. PROFIT DISTRIBUTION POLICY FOR PREFERENCE SHARES

1. Policy on profit distribution for preference shares

Everbright P1, Everbright P2 and Everbright P3 issued by the Bank are priced at coupon rates subject to adjustments at different intervals. The coupon rate shall remain unchanged for the first five years commencing from the issuance date. Subsequently, the coupon rate shall be adjusted once every five years. The coupon rate will remain unchanged for each new period. Through market consultation, the first coupon rate for the Everbright P1, Everbright P2 and Everbright P3 was determined at 5.30%, 3.90% and 4.80% respectively.

The dividends on the above three preference shares are non-cumulative, and the dividends shall be paid in cash. Under the circumstance that the Bank decides to cancel part of or all of the dividend payment of the Preference Shares, the undistributed dividends shall not be carried forward to the following dividend period. The Preference Shareholders are not entitled to the distribution of the remaining profit along with ordinary shareholders after receiving dividends at the agreed rate.

2. Scheme on profit distribution for preference shares

The Bank distributed the dividends for Everbright P1 on 25 June 2019 at a dividend rate of 5.30% (before tax). The dividends for the Everbright P2 was distributed on 12 August 2019 at a dividend rate of 3.90% (before tax). All these above-mentioned distribution proposals have been implemented.

As agreed, the dividends on Everbright P1 and Everbright P2 shall be paid annually. The Bank shall convene a board meeting at least ten working days prior to the dividend payment date of the Everbright P1 (i.e. 28 June 2020) and the Everbright P2 (i.e. 11 August 2020) to consider issues relating to the dividend payment.

The Bank distributed the dividends for Everbright P3 once every fiscal year starting from the due date for subscription payments for the issuance (i.e. 18 July 2019). The interest accrual period for 2019 is from 18 July 2019 to 31 December 2019, with a dividend rate of 4.80% (before tax). The Bank will implement the dividend distribution plan within 15 business days after review and approval by the Board of Directors.

3. Amount and proportion of the distributed dividends on preference shares in last three years

Item	Unit: RMB million, %		
	2019	2018	2017
Dividend amount	1,450	1,450	1,450
Proportion of distribution	100.00	100.00	100.00

Note: Proportion of distribution is based on the declared dividends and the agreed dividends payable for the year.

V. DURING THE REPORTING PERIOD, THERE WAS NO REDEMPTION OF PREFERENCE SHARES OR CONVERSION OF PREFERENCE SHARES INTO ORDINARY SHARES BY THE BANK.

VI. DURING THE REPORTING PERIOD, THERE WAS NO VOTING RIGHT RESTORATION OF THE PREFERENCE SHARES OF THE BANK.

VII. ACCOUNTING POLICIES FOR PREFERENCE SHARES OF THE BANK AND REASONS FOR ADOPTION

According to the provisions of the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments* and *Rules on Differentiating the Financial Liabilities and Equity Instruments and Relevant Accounting Treatment* promulgated by MOF, the preference shares issued by the Bank were accounted for as an equity instrument.

Issuance of Convertible Corporate Bonds

I. OVERVIEW

On 17 March 2017, the Bank completed the issuance of the A share convertible bonds. The proceeds amounted to RMB30 billion and the net funds stood at approximately RMB29,923 million after deducting the issuance expense. On 5 April 2017, the above-mentioned A share convertible bonds were listed on SSE (bond name: Everbright Convertible Bonds, stock code: 113011).

II. HOLDERS OF CONVERTIBLE BONDS AND GUARANTORS DURING THE REPORTING PERIOD

Unit: RMB, %

Convertible bond holders at the period end	5,181	
Guarantors of convertible bonds of the Bank	Nil	
	Par value of bond held at period end	Percentage of bonds held
Top ten convertible bond holders		
China Everbright Group Ltd.	8,709,153,000	29.03
Specific account for collateralized repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	3,462,501,000	11.54
Specific account for collateralized repurchase in the securities depository and clearing system (Bank of China)	1,863,527,000	6.21
Specific account for collateralized repurchase in the securities depository and clearing system (China Construction Bank)	994,604,000	3.32
Specific account for collateralized repurchase in the securities depository and clearing system (Bank of Communications)	856,255,000	2.85
Specific account for collateralized repurchase in the securities depository and clearing system (Agricultural Bank of China)	554,058,000	1.85
China Merchants Wealth – PSBC – Postal Savings Bank of China Co., Ltd.	511,469,000	1.70
Specific account for collateralized repurchase in the securities depository and clearing system (China Merchants Bank)	500,153,000	1.67
Enterprise annuity scheme of Industrial and Commercial Bank of China Limited – China Construction Bank	370,400,000	1.23
Specific account for collateralized repurchase in the securities depository and clearing system (China Minsheng Banking Corporation Limited (CMBC))	277,609,000	0.93

III. CHANGES IN CONVERTIBLE BONDS

For the A share convertible bonds issued by the Bank, the conversion period commences from the first trading day after six months from the completion of the issuance (18 September 2017) and ends on the bond maturity date (16 March 2023). At the end of the reporting period, a total of RMB965,000 “Everbright Convertible Bonds” were converted into A shares of the Bank, and the number of accumulated converted shares reached 228,101. During the reporting period, a total of 57,747 shares worth RMB235,000 were converted.

IV. PREVIOUS ADJUSTMENTS OF CONVERSION PRICE

Unit: RMB per share

Date of adjustment	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment
5 July 2017	4.26	27 June 2017	HKEX website, website of the Bank	Due to profit distribution for ordinary A shares for 2016
26 December 2017	4.31	22 December 2017	Ibid.	Due to non-public issuance of H shares
27 July 2018	4.13	20 July 2018	Ibid.	Due to profit distribution for ordinary A shares for 2017
26 June 2019	3.97	18 June 2019	Ibid.	Due to profit distribution for ordinary A shares for 2018
Conversion price as of the disclosure date of the reporting				3.97

V. THE BANK'S OUTSTANDING DEBTS, CREDIT WORTHINESS AND AVAILABILITY OF CASH FOR REPAYMENT OF DEBTS IN FUTURE YEARS

In accordance with the applicable provisions in the *Administrative Measures for the Issuance of Securities by Listed Companies* and the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the Bank entrusted China Chengxin Securities Rating Co., Ltd. (herein after referred to as "China Chengxin" for short) to track and rate the credit standing of its A share convertible bonds issued in March 2017. China Chengxin issued the *Tracking and Rating Report on A Share Convertible Corporate Bonds (2019) of China Everbright Bank Company Limited*, maintaining the credit rating of the Bank's bond as AAA with as table outlook and the credit rating of the bond issuer as AAA, incurring no change. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the basically steady liabilities, and the robust credit position. In future years, cash flows from operating and investment activities will constitute the cash sources of debt service.

Directors, Supervisors, Senior Management, Staff and Business Outlets

I. PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Terms of Office	Total remuneration from the Bank during the reporting period (Pretax, RMB ten thousand)	Whether received remuneration from the connected party
Li Xiaopeng	Secretary of CPC Committee, Chairman, Non-Executive Director	Male	60	Mar. 2018-Jul. 2022	-	Yes
Wu Lijun	Vice Chairman, Non-Executive Director	Male	55	Mar. 2020-Jul. 2022	-	Yes
Liu Jin	Deputy Secretary of CPC Committee, Executive Director, President	Male	53	Mar. 2020-Jul. 2022	-	No
Cai Yunge	Non-Executive Director	Male	48	May 2017-Jul. 2022	-	Yes
Lu Hong	Member of CPC Committee, Executive Director, Executive Vice President	Male	56	Oct. 2019-Jul. 2022	234.99	No
Wang Xiaolin	Non-Executive Director	Male	57	Oct. 2018-Jul. 2022	-	Yes
Shi Yongyan	Non-Executive Director	Male	51	May 2018-Jul. 2022	-	Yes
Dou Hongquan	Non-Executive Director	Male	51	Oct. 2019-Jul. 2022	-	Yes
He Haibin	Non-Executive Director	Male	45	May 2018-Jul. 2022	-	Yes
Liu Chong	Non-Executive Director	Male	50	Dec. 2019-Jul. 2022	-	Yes
Yu Chunling	Non-Executive Director	Female	53	Nov. 2019-Jul. 2022	-	Yes
Fok Oi Ling Catherine	Independent Non-Executive Director	Female	61	Jan. 2014-Jan. 2020	37.00	Yes
Xu Hongcai	Independent Non-Executive Director	Male	55	Feb. 2015-Feb. 2021	27.08	No
Feng Lun	Independent Non-Executive Director	Male	60	Feb. 2015-Jul. 2019	34.33	Yes
Wang Liguo	Independent Non-Executive Director	Male	62	Jan. 2017-Jul. 2022	36.00	Yes
Shao Ruiqing	Independent Non-Executive Director	Male	62	Aug. 2019-Jul. 2022	15.00	Yes
Hong Yongmiao	Independent Non-Executive Director	Male	56	Sep. 2019-Jul. 2022	9.25	No
Li Xin	Chairman of the Board of Supervisors	Male	59	Jun. 2015-Jul. 2022	234.86	No
Yin Lianchen	Shareholder Supervisor	Male	53	Dec. 2014-Jul. 2022	-	Yes
Wu Junhao	Shareholder Supervisor	Male	54	Nov. 2009-Jul. 2022	-	Yes
Wu Gaolian	External Supervisor	Male	67	Jun. 2016-Jul. 2022	-	No
Wang Zhe	External Supervisor	Male	59	Nov. 2016-Jul. 2022	29.00	Yes
Qiao Zhimin	External Supervisor	Male	67	Sept. 2019-Jul. 2022	7.50	Yes
Xu Keshun	Employee Supervisor	Male	53	Jul. 2019-Jul. 2022	133.32	No
Sun Jianwei	Employee Supervisor	Male	53	Jul. 2019-Jul. 2022	101.82	No
Shang Wencheng	Employee Supervisor	Male	44	Jul. 2019-Jul. 2022	112.73	No
Wu Chongkuan	Member of CPC Committee (Executive Vice President level), Chairman of the Working Committee of the Labor Union	Male	57	Apr. 2014-	232.89	No
Yao Zhongyou	Member of CPC Committee, Executive Vice President	Male	56	May 2014-	232.89	No
Huang Haiqing	Member of CPC Committee, Secretary of Discipline Committee (Executive Vice President level)	Male	55	Jun. 2016-	232.89	No

Name	Position	Gender	Age	Terms of Office	Total remuneration from the Bank during the reporting period (Pretax, RMB ten thousand)	Whether received remuneration from the connected party
Sun Qiang	Member of CPC Committee, Executive Vice President	Male	51	Aug. 2016–	232.89	No
Qu Liang	Member of CPC Committee, Executive Vice President and Secretary of CPC Committee and President of Beijing Branch	Male	53	Sept. 2018–	321.74	No
Li Jiayan	Member of CPC Committee (Executive Vice President level), Secretary to the Board	Male	56	Jan. 2018–	226.10	No
Total remuneration received from the Bank					2,492.28	

Notes:

1. The remuneration of Directors and Supervisors is subject to approval of the Shareholders' General Meeting.
2. The remuneration of certain Directors, Supervisors of the Bank has not been finalized and an announcement will be made for further disclosure in due course.
3. The Bank adjusted the payment plan for performance-based salaries of the Senior Management in 2019, and relevant portion will be disclosed separately after being confirmed.
4. The remuneration of Directors, Supervisors and Senior Management serving in 2019 was calculated according to the actual term of office.
5. Mr. Xu Hongcai started to receive remuneration from the Bank as of April 2019.
6. During the reporting period, none of the Directors, Supervisors and Senior Management held any share of the Bank.
7. During the reporting period, the Bank did not implement any share incentive scheme, and none of the Directors and Senior Management held share option of the Bank's shares or was granted any restrictive shares.
8. None of the incumbent Directors, Supervisors and Senior Management of the Bank has been subject to any penalty by any securities regulatory authorities in the recent three years.

Directors, Supervisors, Senior Management, Staff and Business Outlets

II. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT WHO RESIGNED DURING THE REPORTING PERIOD

Name	Position	Gender	Age	Terms of Office	Total remuneration from the Bank during the reporting period (Pretax, RMB ten thousand)	Whether received remuneration from the connected party
Ge Haijiao	Deputy Secretary of CPC Committee, Executive Director, President	Male	48	Jan. 2019-Sep.2019	46.11	No
Fu Dong	Non-Executive Director	Male	60	Mar. 2018-Aug. 2019	-	Yes
Qiao Zhimin	Independent Non-Executive Director	Male	67	Jan. 2013-Jan. 2019	28.42	Yes
Xie Rong	Independent Non-Executive Director	Male	67	Jan. 2013-Jan. 2019	21.58	Yes
Yu Erniu	External Supervisor	Male	70	Nov. 2012-July 2019	-	No
Sun Xinhong	Employee Supervisor	Male	52	Jun. 2017-Jul. 2019	100.22	No
Jiang Ou	Employee Supervisor	Male	54	Jun. 2017-Jul. 2019	88.74	No
Huang Dan	Employee Supervisor	Female	46	Jun. 2017-Jul. 2019	86.76	No
Wu Jian	Member of CPC Committee, Executive Vice President	Male	58	Jan. 2014-Nov. 2019	232.89	No
Total remuneration from the Bank during the reporting period					604.72	

Notes:

1. The remuneration of resigned Directors, Supervisors and Senior Management of the Bank for 2019 was calculated according to their actual term of office.
2. None of the Directors, Supervisors and Senior Management who resigned from the Bank had been subject to penalty from the securities regulatory authorities in the past three years.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

i. Changes of Directors

1. On 7 January 2019, due to expiration of his term of office, Mr. Qiao Zhimin resigned from the positions of Independent Non-Executive Director, Director and member of the Remuneration Committee, member of the Nomination Committee, member of the Risk Management Committee, member of the Audit Committee, and member of the Related Party Transactions Control Committee of the Board of Directors of the Bank. In order to ensure the number of Independent Non-Executive Directors meets the statutory requirements, Mr. Qiao Zhimin would continue to perform his duties before the qualifications of the succeeding Independent Non-Executive Director Mr. Hong Yongmiao were approved by CBIRC.

2. On 7 January 2019, due to expiration of his term of office, Mr. Xie Rong resigned from the positions of Independent Non-Executive Director, Director and member of the Audit Committee, member of the Nomination Committee, member of the Remuneration Committee, and member of the Related Party Transactions Control Committee of the Board of Directors of the Bank. In order to ensure the number of Independent Non-Executive Directors meets the statutory requirements, Mr. Xie Rong would continue to perform his duties before the qualifications of the succeeding Independent Non-Executive Director Mr. Shao Ruiqing were approved by CBIRC.
3. On 22 January 2019, CBIRC approved Mr. Ge Haijiao to serve as Executive Director of the Bank.
4. On 30 May 2019, the 2018 Annual General Meeting elected Mr. Shao Ruiqing as Independent Non-Executive Director of the Bank, whose appointment qualifications were approved by CBIRC on 5 August 2019.
5. On 30 May 2019, the 2018 Annual General Meeting elected Mr. Hong Yongmiao as Independent Non-Executive Director of the Bank, whose appointment qualifications were approved by CBIRC on 12 September 2019.
6. On 30 July 2019, the 2019 Second Extraordinary General Meeting elected Mr. Lu Hong as Executive Director of the Bank, whose appointment qualifications were approved by CBIRC on 10 October 2019.
7. On 30 July 2019, the 2019 Second Extraordinary General Meeting elected Mr. Dou Hongquan as Non-Executive Director of the Bank, whose appointment qualifications were approved by CBIRC on 10 October 2019.
8. On 30 July 2019, the 2019 Second Extraordinary General Meeting elected Ms. Yu Chunling as Non-Executive Director of the Bank, whose appointment qualifications were approved by CBIRC on 2 November 2019.
9. On 30 July 2019, the 2019 Second Extraordinary General Meeting elected Mr. Liu Chong as Non-Executive Director of the Bank, whose appointment qualifications were approved by CBIRC on 26 December 2019.
10. On 30 July 2019, the 2019 Second Extraordinary General Meeting re-elected the Board of Directors, and Mr. Zhao Wei ceased to serve as the Bank's Non-Executive Director.
11. On 30 July 2019, the 2019 Second Extraordinary General Meeting re-elected the Board of Directors, and Mr. Feng Lun ceased to serve as the Bank's Independent Non-Executive Director. He would continue to perform his duties before the qualifications of the succeeding Independent Non-Executive Director were approved by CBIRC.
12. On 16 August 2019, due to job assignment, Mr. Fu Dong resigned from the positions of Non-Executive Director, member of the Audit Committee, and member of the Risk Management Committee of the Board of Directors of the Bank.
13. On 30 September 2019, due to job assignment, Mr. Ge Haijiao resigned from the positions of Executive Director, Director and member of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee, member of the Strategy Committee, and member of the Risk Management Committee of the Board of Directors of the Bank.

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14. On 20 December 2019, the 2019 Third Extraordinary General Meeting elected Mr. Wu Lijun as Non-Executive Director of the Bank, and the 8th Meeting of the Eighth Session of the Board of Directors elected Mr. Wu Lijun as Vice Chairman of the Bank. On 25 March 2020, CBIRC approved his qualification as Non-Executive Director and Vice Chairman.
15. On 20 December 2019, the 2019 Third Extraordinary General Meeting elected Mr. Liu Jin as Executive Director of the Bank. On 25 March 2020, CBIRC approved his qualification as Executive Director.
16. On 26 March 2020, the 2020 First Extraordinary General Meeting elected Mr. Li Yinquan as Independent Non-Executive Director of the Bank, whose appointment qualifications were pending for approval by CBIRC.

ii. Changes of Supervisors

1. On 26 July 2019, the staff representative conference agreed to elect Mr. Xu Keshun, Mr. Sun Jianwei and Mr. Shang Wencheng as Employee Supervisors of the Bank, and at the same time Mr. Sun Xinhong, Mr. Jiang Ou and Ms. Huang Dan resigned from the positions as Employee Supervisor.
2. On 30 July 2019, the 2019 Second Extraordinary General Meeting elected Mr. Qiao Zhimin as External Supervisor, and Mr. Yu Erniu resigned due to the expiration of his term of office. On 12 September 2019, CBIRC approved the qualifications of the succeeding Independent Non-Executive Director Mr. Hong Yongmiao, and Mr. Qiao Zhimin started to perform his duties as External Supervisor. Prior to that, Mr. Yu Erniu continued to perform his duties as External Supervisor.

iii. Changes of Senior Management

1. On 24 July 2019, Secretary of the Board of Directors of the Bank Mr. Li Jiayan began to serve as the member of CPC Committee (Vice President Level) of the Bank.
2. On 30 September 2019, due to job assignment, Mr. Ge Haijiao resigned from the position of President of the Bank.
3. On 28 November 2019, due to job assignment, Mr. Wu Jian resigned from the position of Executive Vice President of the Bank.
4. On 29 November 2019, the 7th Meeting of the Eighth Session of the Board of Directors of the Bank appointed Mr. Liu Jin as President of the Bank, whose appointment qualifications were approved by CBIRC on 13 January 2020.
5. On 20 December 2019, the 8th Meeting of the Eighth Session of the Board of Directors of the Bank appointed Mr. Qu Liang as Executive Vice President of the Bank, whose appointment qualifications were approved by CBIRC on 5 March 2020.

IV. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. Dou Hongquan, Non-Executive Director of the Bank, served as designated director of CHI, and Director of China Everbright Group.
2. Mr. He Haibin, Non-Executive Director of the Bank, served as Director of Konka Group Co., Ltd. and ceased to serve as Vice Chairman of Huaneng Capital Services Co., Ltd.
3. Mr. Liu Chong, Non-Executive Director of the Bank, served as Managing Director of COSCO Shipping Development Co., Ltd., Chairman of COSCO Shipping Leasing Co., Ltd., Chairman of Shanghai Universal Logistics Equipment Co., Ltd., Vice Chairman of China International Marine Containers (Group) Ltd., Director of China Cinda Asset Management Co., Ltd., Director of COSCO Shipping Development (Hong Kong) Co., Ltd., Director of COSCO Shipping Development (Asia) Co., Ltd., and Director of Florens International Limited.
4. Ms. Yu Chunling, Non-Executive Director of the Bank, served as Vice Chairman and General Manager of China Re Asset Management Company Ltd., and Chairman of China Re Capital Management Co., Ltd.
5. Mr. Shao Ruiqing, Independent Non-Executive Director of the Bank, served as Independent Director of China Eastern Airlines Corporation Limited, Independent Director of HUAYU Automotive Systems Co., Ltd., Independent Director of Tibet Urban Development and Investment Co., Ltd., and Independent Director of Shanghai International Port (Group) Co., Ltd.
6. Mr. Hong Yongmiao, Independent Non-Executive Director of the Bank, served as Independent Director of Xiamen Bank Co., Ltd.

V. PROCEDURES FOR DETERMINING THE REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT, BASIS FOR DETERMINING THE REMUNERATION AND THE ACTUAL REMUNERATION PAID

Remuneration of Directors and Senior Management of the Bank are verified and paid in accordance with the *Articles of Association* of the Bank. The remuneration plan for Directors and Senior Management is reviewed by the Remuneration Committee of the Board of Directors before it is submitted to the Board of Directors for approval. The remuneration plan for Directors is further subject to the shareholders' general meeting for approval.

Remuneration of Supervisors of the Bank is verified and paid in accordance with the *Articles of Association* of the Bank. The remuneration plan is reviewed by the Nomination Committee of the Board of Supervisors and then is considered by the Board of Supervisors, before it is subject to the shareholders' general meeting for approval.

Details about the Remuneration for the Directors, Supervisors and Senior Management of the Bank in 2019 are available in Part I and Part II of this section.

Directors, Supervisors, Senior Management, Staff and Business Outlets

VI. POSITIONS HELD IN SHAREHOLDING COMPANY BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Name of shareholder	Position	Terms of Office
Li Xiaopeng	China Everbright Group Ltd.	Secretary of CPC Committee, Chairman	Dec. 2017 to the present
	China Everbright Group Holdings Limited	Chairman	Dec. 2017 to the present
Wu Lijun	China Everbright Group Ltd.	Deputy Secretary of CPC Committee	Sep. 2019 to the present
Liu Jin	China Everbright Group Ltd.	Vice Chairman, General Manager	Nov. 2019 to the present
		Member of CPC Committee, Executive Director	Nov. 2019 to the present
Cai Yunge	China Everbright Group Ltd.	Member of CPC Committee	Jul. 2016 to the present
	China Everbright Group Holdings Limited	Deputy General Manager Executive Director, Vice Chairman, General Manager	Oct. 2016 to the present Dec. 2016 to the present
	China Everbright Limited	Executive Director, Chairman	Dec. 2016 to the present
Wang Xiaolin	Central Huijin Investment Ltd.	Designated Director	Jul. 2018 to the present
Shi Yongyan	China Everbright Group Ltd.	Director	Jul. 2018 to the present
	Central Huijin Investment Ltd.	Designated Director	Jan. 2018 to the present
Dou Hongquan	China Everbright Group Ltd.	Director	Jan. 2018 to the present
	Central Huijin Investment Ltd.	Designated Director	Jul. 2019 to the present
He Haibin	China Everbright Group Ltd.	Director	Jul. 2019 to the present
	Overseas Chinese Town Holdings Company	Standing Member of CPC Committee, Chief Accountant, Board Secretary	Feb. 2018 to the present
Liu Chong	COSCO Shipping Development Co., Ltd.	Member of CPC Committee, Managing Director	Mar. 2016 to the present
Yu Chunling	China Re Asset Management Company Ltd.	Secretary of CPC Committee, Vice Chairman, General Manager	Oct. 2018 to the present
Yin Lianchen	China Everbright Limited	Chief Investment Officer Executive Director	Apr. 2012 to the present Jun. 2017 to the present
Wu Junhao	Shenergy (Group) Co., Ltd.	Manager of Financial Management Department	Apr. 2011 to the present

VII. WORKING EXPERIENCE, APPOINTMENT AND CONCURRENT APPOINTMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

i. Directors

Mr. Li Xiaopeng

Mr. Li Xiaopeng joined the Bank as Chairman of the Board of Directors in March 2018 and has served as Secretary of CPC Committee of the Bank since December 2017. Currently, he is also Secretary of CPC Committee and Chairman of China Everbright Group Ltd., Honorary Principal of CPC Party School at China Everbright Group Ltd. and of Everbright Academy, Chairman of the Board of Directors at China Everbright Group Holdings Limited and Honorary Chairman of Hong Kong China Enterprise Association. He was Member of CPC Committee and Deputy General Manager of Henan Provincial Branch of ICBC, General Manager of the Banking Department of the Head Office of ICBC, Secretary of CPC Committee and General Manager of ICBC Sichuan Provincial Branch, Member of CPC Committee and Vice President of China Huarong Asset Management Corporation, Member of CPC Committee and Assistant President of the Head Office of ICBC, Secretary of CPC Committee and General Manager of ICBC Beijing Municipal Branch, Member of CPC Committee, Executive Director and Executive Vice President of ICBC, Deputy Secretary of CPC Committee and Chairman of the Board of Supervisors of China Investment Corporation, and Deputy CPC Committee Secretary, Vice Chairman and General Manager and of China Merchants Group. He was also Chairman of ICBC International Holdings Limited, Chairman of ICBC Financial Leasing Co., Ltd., Chairman of ICBC Credit Suisse Asset Management Co., Ltd., Vice Chairman of China Merchants Bank Co., Ltd., Chairman of China Merchants Energy Shipping Co., Ltd., Chairman of China Merchants Port Holdings Company Limited, Chairman of China Merchants Huajian Highway Investment Co., Ltd., Chairman of China Merchants Capital Investment Co., Ltd., Chairman of China Merchants Joint Development Co., Ltd., and Chairman of China Merchants Investment Development Company Limited. He graduated from Wuhan University, holds a Doctoral degree in Economics, and is a senior economist. Mr. Li is a member of the Committee for Economic Affairs of the Thirteenth Session of the CPPCC National Committee.

Mr. Wu Lijun

Mr. Wu Lijun has served as Vice Chairman of the Board of Directors of the Bank since March 2020. He is currently Deputy Secretary of CPC Committee, Vice Chairman and General Manager of China Everbright Group Ltd. He served as the Deputy Director (Deputy Bureau Level) of the State Material Reserve Regulatory Center of the Ministry of Domestic Trade, person in charge of the Information Center, Deputy Director (Presiding) of the Training Center, Director of the Personnel Education Department and Director of the Party Organization Department of the China Securities Regulatory Commission. He also served as the member of the CPC Party Committee and Assistant Chairman of the China Securities Regulatory Commission, the Chairman of the Board of Directors and CPC Party Secretary (Deputy Minister Level) of the Shenzhen Stock Exchange. He obtained a doctorate degree in economics from Renmin University of China. He is a senior economist.

Mr. Liu Jin

Mr. Liu Jin has served as Executive Director of the Bank since March 2020, President of the Bank since January 2020, and became Deputy Secretary of CPC Committee of the Bank in November 2019. He is currently Member of CPC Committee and Executive Director of China Everbright Group Ltd. He was Representative of the London Representative Office of ICBC, General Manager of the International Banking Department, Member of CPC Committee and Deputy General Manager of Shandong Branch of ICBC, Vice Chairman, Executive Director, General Manager of ICBC (Europe) and General Manager of ICBC Frankfurt Branch, General Manager of the Investment Banking Department of the Head Office, Secretary of CPC Committee and General Manager of Jiangsu Branch of ICBC, and member of CPC Committee and Vice President of China Development Bank. He graduated from Shandong University with a Master's Degree in English Language and Literature, and is a senior economist.

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Mr. Cai Yunge

Mr. Cai Yunge has served as Director of the Bank since May 2017. He currently serves as Member of CPC Committee and Deputy General Manager of China Everbright Group Ltd., Executive Director, Vice Chairman and General Manager of China Everbright Group Holdings Limited, Executive Director and Chairman of the Board of Directors of China Everbright Limited, Executive Director and Chairman of the Board of Directors of China Everbright International Limited, and Vice President of Hong Kong Chinese Enterprises Association. He was Clerk of the Planning and Funding Department, Deputy Chief Clerk of the Credit Management Department, and Chief Clerk of the Banking Supervision Department II at the PBOC; Chief Clerk and Deputy Division Chief of the Supervision Department II, and Division Chief of the General Office of the CBRC; Member of CPC Committee and Deputy Director of Guangdong Provincial Development and Reform Commission; and General Manager of the General Office, Director of the CPC Committee Office, Member of CPC Committee (Executive Vice President Level) and Secretary to the Board of Directors of the Bank. He graduated from the Research Institute of Finance of the PBOC. He holds a Doctoral degree, and is a senior economist.

Mr. Lu Hong

Mr. Lu Hong has served as Executive Director of the Bank since October 2019, Vice President of the Bank since December 2010 and Member of CPC Committee of the Bank since March 2009. He joined the Bank in 1994 and successively served at various positions of the Bank, including Manager of the Securities Department, Division Chief in the Office of the Board of Directors, Assistant General Manager of the Planning and Treasury Department, General Manager of the Planning and Finance Department of Beijing Branch, Deputy General Manager of the Finance and Accounting Department, Deputy General Manager and General Manager of the Planning and Finance Department and Secretary to the Board of Directors of the Head Office. He was an engineer in the Planning Institute of the Ministry of Railways and Manager in the Investment Banking Department of Huaxia Securities Co., Ltd. He graduated from Shanghai Railway Institute and holds a Master's Degree in Railway Engineering and a Doctoral Degree in Applied Economics of Xi'an Jiaotong University. He holds a certificate of senior accountant.

Mr. Wang Xiaolin

Mr. Wang Xiaolin has served as Director of the Bank since October 2018. Currently, he works at Central Huijin Investment Ltd., while serving as Director of China Everbright Group Ltd. He was Deputy General Manager of the Securities Management Headquarters at Shandong International Trust Co., Ltd., General Manager Assistant of Shandong High-Tech Investment Corp., Head of the General Office at Shandong Lucion Investment Holdings Group Co., Ltd., Secretary of CPC Committee and General Manager of Shandong International Trust Co., Ltd., Member of CPC Committee and Deputy General Manager at Shandong Lucion Investment Holdings Group Co., Ltd., Deputy Head (temporary) of the International Department at China Banking Regulatory Commission, and Deputy Secretary of CPC Committee and General Manager of Shandong Development Investment Holding Group Co., Ltd. He graduated from School of Management of Fudan University, major in Enterprise Management, holds a Master's Degree in Economics, and is a senior economist.

Mr. Shi Yongyan

Mr. Shi Yongyan has served as Director of the Bank since May 2018. Currently, he works at Central Huijin Investment Ltd., while serving as Director of China Everbright Group Ltd. He was Deputy Head of the AML Division of the Management and Inspection Department at State Administration of Foreign Exchange, Deputy Head and Researcher of the General Affairs Division of the AML Bureau at PBOC, Head of the Research Support Division of the Banking Department, Head of the Research Support Division of the Banking Institution Management Department I., Designated Director of the Comprehensive Management Department/Banking Institution Management Department II at Central Huijin Investment Ltd. (designated to China Export & Credit Insurance Corporation), and Member of Party Working Committee and Deputy Director (temporary) of the Management Committee of Lanzhou New Area in Gansu Province. He graduated from Peking University School of Economics, and holds a Doctoral degree in Economics from Singapore Nanyang Technological University.

Mr. Dou Hongquan

Mr. Dou Hongquan has served as Director of the Bank since October 2019. Currently, he works at Central Huijin Investment Ltd., while serving as Director of China Everbright Group Ltd. He was Deputy Principal Staff Member and Principal Staff Member of the Non-banking Department of the PBOC, Deputy Division Chief, Researcher and Supervisor of Chief Level of the Supervisory Committee of State-owned Key Financial Institutions (China Everbright Group and CITIC Group), Non-Employee Representative Supervisor of the Supervisory Committee, (Secondment) Inspection Commissioner of the CPC Committee Inspection Office of CITIC Group, Managing Director of the office of China Securities Co., Ltd., and Vice Chairman of China Capital Management Co., Ltd. Mr. Dou graduated from the Management Science Center of Guanghua School of Management of Peking University and obtained the Master's Degree in Science. He then obtained a Doctoral degree in Economics of the Research Institute of Finance of PBOC (majoring in Finance). He is a senior economist and non-practicing member of the Chinese Institute of Certified Public Accountants.

Mr. He Haibin

Mr. He Haibin has served as Director of the Bank since May 2018. Currently, he is Standing Member of CPC Committee, Chief Accountant, Board Secretary of Overseas Chinese Town Holdings Company, Chairman of Shenzhen Overseas Chinese Town Capital Investment Management Co., Ltd., Director of Konka Group Co., Ltd., and Board Chairman of Overseas Chinese Town (Asia) Holdings Limited. He was Head of the Audit Department and the Financial Accounting Department of Overseas Chinese Town Holdings Company, Chief Financial Officer of Overseas Chinese Town Seaview Hotel Limited, Deputy Head and Head of the Financial Accounting Department of Overseas Chinese Town Holdings Company, and Chief Accountant of Shenzhen Overseas Chinese Town Co., Ltd. He graduated from Sun Yat-Sen University majoring in Accounting Audit, holds the Master's Degree in Accountancy from Chinese Academy of Fiscal Sciences, affiliated to the Ministry of Finance of China, and is a senior accountant.

Mr. Liu Chong

Mr. Liu Chong has served as Director of the Bank since December 2019. He currently serves as Member of CPC Committee and Managing Director of COSCO Shipping Development Co., Ltd., and concurrently as Vice Chairman of China International Marine Containers (Group) Ltd. and Non-Executive Director of China Cinda Asset Management Co., Ltd. He successively served as Deputy General Manager of China Shipping Investment Co., Ltd., Deputy General Manager of China Shipping Logistics Co., Ltd., Chief Accountant of China Shipping (Hainan) Haisheng Co., Ltd., Director of Capital Management Department of China Shipping (Group) Company, Chief Accountant of China Shipping Container Lines Co., Ltd., and General Manager of China Shipping Investment Co., Ltd. He graduated from Sun Yat-sen University majoring in economics and obtained a Bachelor's degree in Economics. He is a senior accountant.

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Ms. Yu Chunling

Ms. Yu Chunling has served as Director of the Bank since November 2019. She is currently Secretary of CPC Committee, Vice Chairman and General Manager of China Re Asset Management Company Ltd. She had served as Deputy Division Chief of the Planning Office of the Comprehensive Planning Bureau, Division Chief of the Comprehensive Office of the Investment Business Bureau, Division Chief of the Operation Management Office of the Comprehensive Planning Bureau, Deputy Head of Operation Centre, Deputy Director of the Comprehensive Planning Bureau, Director of the Fund Bureau, and President of Tianjin Branch of China Development Bank. Ms. Yu graduated from Chinese Academy of Fiscal Sciences of the Ministry of Finance majoring in finance and obtained a Doctoral Degree in Economics. She is a senior accountant.

Ms. Fok Oi Ling Catherine

Ms. Fok Oi Ling Catherine has served as Independent Non-Executive Director of the Bank since January 2014. Currently, she is an independent consultant of Siya International Consultancy Service Co. Ltd., a senior member of the Hong Kong Institute of Directors, a voting member of the Hong Kong Professionals and Senior Executives Association and a member of its Finance and Economics Group and Economic Affairs Committee, and a member of the Hong Kong Women Professionals & Entrepreneurs Association. She served successively in the Hong Kong and Shanghai Banking Corporation Limited (“HSBC”) as Manager of the International Trade Financing Division and the Commercial Credit Division, Regional Director of Industrial and Commercial Banking and Trade Finance, Head of the Risk Management Department of Retail Banking, and Regional Director of Retail Banking and Director of Wealth Management and Investment Products for the Retail Banking Business. She also served as Director of Business Integration of Asia-Pacific Region of HSBC, and a Marketing and Management Advisor to the Retail Banking Business of BOCC. She was Honorary Chairman of the Hong Kong Chamber of Commerce in China – Shanghai. She holds a Master’s Degree in Business Administration from the Chinese University of Hong Kong. She is an associate of the Hong Kong Institute of Bankers and a certified financial management planner.

Mr. Xu Hongcai

Mr. Xu Hongcai has served as Independent Non-Executive Director of the Bank since February 2015. He is currently Managing Director of the China Association of Policy Science and Deputy Director of its Economic Policy Committee, a senior researcher of the Belt and Road Institute of the Western Returned Scholars Association, and a visiting scholar of the University of British Columbia, Canada. He successively served as Clerk at the Head Office of the PBOC, Deputy General Manager at Shanghai Office of GF Securities, Vice President at Beijing Venture Capital Co., Ltd., Professor of Capital University of Economics and Business, and Assistant Engineer of China Petrochemical Corporation. He graduated from Renmin University of China with a Master’s Degree in Philosophy, and then graduated from the Graduate School of Chinese Academy of Social Sciences with a Doctoral Degree in Economics.

Mr. Feng Lun

Mr. Feng Lun has served as Independent Non-Executive Director of the Bank since February 2015. He is Executive Director of Beijing Sifang Yufeng Investment Co., Ltd. He served as a lecturer of the Party School of the Central Committee of CPC, Deputy Department Director of the Research Institute of the State Economic System Reform Commission, Senior Vice President of the Research Center of the Hainan Reform and Development Research Institute, and Director of China Minsheng Banking Corp., Ltd. He founded the Vantone Group in 1991. He obtained a Bachelor’s Degree in Economics from Northwest University, a Master’s Degree in Law from the Party School of the Central Committee of CPC, a Doctorate Degree in Law from the Graduate School of Chinese Academy of Social Sciences and a Master of Public Policy (MPP) Degree from Lee Kuan Yew School of Public Policy at the National University of Singapore.

Mr. Wang Liguo

Mr. Wang Liguo has served as Independent Non-Executive Director of the Bank since January 2017. He currently works as Professor (National Second Class) of the Dongbei University of Finance and Economics, a Doctoral Tutor, Chief Expert of Major Bidding Projects of the National Social Science Fund, Director of China Investment Association, Executive Director of Construction Economics Branch of China Construction Industry Association, Vice Chairman of Dalian Engineering Consulting Association and Chairman of Dalian Yadong Investment Consulting Co., Ltd. He has served as Lecturer and Associate Professor of Dongbei University of Finance and Economics, Dean of the School of Investment Engineering Management of Dongbei University of Finance and Economics, and a member of the Evaluation Committee of Higher Education Engineering Management of the Ministry of Housing and Urban-Rural Development. He graduated from Dongbei University of Finance and Economics with a Bachelor's Degree and a Master's Degree in Economics and then a Doctorate Degree in Industrial Economics.

Mr. Shao Ruiqing

Mr. Shao Ruiqing has served as Independent Non-Executive Director of the Bank since August 2019. He is currently Professor and Doctoral Tutor in accounting in Shanghai Lixin University of Accounting and Finance. He also holds positions including Vice President of China Communications Accounting Society, Executive Director of Accounting Society of China, Director of China Audit Society, Vice President and Chairman of the Academic Committee of Shanghai Accounting Association, Executive Director of Shanghai Audit Association, Member of Accounting & Finance Expert Advisory Committee of Ministry of Transport, Consulting Expert of China Accounting Standards Committee of Ministry of Finance, Independent Director of China Eastern Airlines Corporation Limited, Independent Director of HUAYU Automotive Systems Co., Ltd., Independent Director of Tibet Urban Development and Investment Co., Ltd., and Independent Director of Shanghai International Port (Group) Co., Ltd.. He served as a Teaching Assistant, Lecturer and Associate Professor of the Department of Economics of Shanghai Maritime University (during the period of which, he received the Sino-British Friendship Scholarship for studying and research in Maritime Finance at University of Wales in the United Kingdom); Associate Professor and Dean of the Department of Accounting of Shanghai Maritime University; Professor and Dean of the Department of Finance & Accounting of Shanghai Maritime University (during the period of which, he received national fund from Studying Abroad Program and was a senior visiting scholar at University of Sydney, Australia); Professor and Deputy Dean of School of Management of Shanghai Maritime University; Professor, Doctoral Tutor and Dean of School of the Economics and Management of Shanghai Maritime University; Professor, Doctoral Tutor and Vice President of Shanghai Lixin University of Accounting; Deputy to the 13th Shanghai Municipal People's Congress; and External Supervisor of China Merchants Bank. He respectively obtained a Bachelor's Degree in Economics of Shanghai Maritime University, a Master's Degree in Management of Shanghai University of Finance and Economics and the Ph.D. in Management of Tongji University. He is entitled to a special government allowance provided by the State Council, and is also an Honorary Fellow Member of the Association of International Accountants.

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Mr. Hong Yongmiao

Mr. Hong Yongmiao has served as Independent Non-Executive Director of the Bank since September 2019. He is currently Academician of the Academy of Sciences for the Developing World, Fellow of the Econometric Society, Chair Professor of Economics and International Studies at Cornell University in the United States, Vice Chairman of Economics Professional Teaching Mentoring Committee of Higher College of Ministry of Education, and Chair Professor of “Cheung Kong Scholar” launched by the Ministry of Education (Xiamen University). He also serves as Senior Editor of Economics of the *Journal of Management Science and Engineering* of the National Natural Science Foundation of China as well as on the Editorial Board of *Economic Research Journal* of Chinese Academy of Social Sciences. He is Member of the Academic Committee of *China Economic Quarterly* of Peking University and Independent Director of Xiamen Bank. He was previously Host of the National Science Fund for Distinguished Young Scholars of National Natural Science Foundation of China and President of the Chinese Economists Society. He also acted as Independent Non-Executive Director of ICBC. He respectively obtained a Bachelor’s Degree in Science and a Master’s Degree in Economics of Xiamen University, and a Ph.D. in Economics of University of California, San Diego in the United States.

ii. Supervisors

Mr. Li Xin

Mr. Li Xin has served as Supervisor of the Bank since May 2015, and became Chairman of the Board of Supervisors of the Bank in June 2015. He successively served as an Assistant Engineer of Beijing 304 Research Institute of the Ministry of Aviation Industry, Secretary of the General Office of the Ministry of Aviation Industry, Secretary, Secretary (Deputy Division Chief Level), Secretary (Division Chief Level) and Deputy Director of the Secretariat of the General Office of the Ministry of Finance, Head of Division 1 of Economic Affairs Department of Xinhua News Agency Hong Kong Branch, Deputy Managing Director of Good Ocean Development Limited in Hong Kong, Deputy Director of the General Office and Head of Finance Division of Commission of Science, Technology and Industry for National Defense, Director of Human Resources Department, Chief of Organization Department of the CPC Committee and Senior Managing Director of China Investment Corporation, and concurrently served as Employee Representative Director of China Investment Corporation, Deputy Secretary of CPC Working Committee of China Investment Corporation, and Vice Chairman of the Working Committee of the Labor Union of China Investment Corporation. He graduated from Shenyang Aviation Industrial College with a Bachelor’s Degree in Aviation Machinery Processing Technology.

Mr. Yin Lianchen

Mr. Yin Lianchen has served as Supervisor of the Bank since December 2014. He is currently Managing Director and Chief Investment Officer of China Everbright Limited and Non-Executive Director of Everbright Securities Co., Ltd. He successively served as General Manager of the Corporate Administration Department, Director of the Securities Brokerage Department and Director of the Corporate Communications Department of China Everbright Limited, Chief Representative of China Desk of Moody’s KMV, Deputy General Manager of Beijing Yonder Investment Group, Division Chief in the Executive Office of China Everbright (Group) Corporation, Assistant General Manager of China Everbright Limited, and Deputy Director of the Asset Management Division of the Banking Regulation Department I of PBOC. He graduated from Nankai University with a Master’s Degree in Western Financial Accounting.

Mr. Wu Junhao

Mr. Wu Junhao has served as Supervisor of the Bank since November 2009. He is the Manager of the Financial Management Department of Shenergy (Group) Limited and concurrently serves as Director of Orient Securities Co., Ltd. and China Pacific Insurance (Group) Co., Ltd. He successively served as Executive Deputy General Manager of Shanghai New Resources Investment Consulting Company, Deputy General Manager of Shanghai Bailitong Investment Company, Deputy Director of Shanghai Shenergy Asset Management Co., Ltd., and Deputy Director, Director and Senior Director of the Asset Management Department and Deputy (Acting) Director of the Financial Management Department of Shenergy (Group) Co., Ltd. He graduated from East China Normal University and later obtained a Master's Degree in Enterprise Management at East China Normal University.

Mr. Wu Gaolian

Mr. Wu Gaolian has served as External Supervisor of the Bank since June 2016. He successively served as Standing Committee Member of Party Committee, Deputy County Magistrate and Deputy Managing Magistrate of Fusong County of Jilin, General Manager of Jilin Tonghua Branch, Deputy General Manager of Jilin Branch, General Manager of Guangxi Branch and General Manager of Liaoning Branch of the People's Insurance Company (the People's Insurance (Property) Company of China, Ltd.), Vice President of the People's Insurance Company (Group) of China (People's Insurance Company of China Holdings Company), Director and President of China Reinsurance (Group) Corporation, Director of the Bank, and Director of China Everbright Group Ltd. He graduated from the Graduate School of Chinese Academy of Social Sciences with Monetary and Banking major. He holds a Master's Degree and is a senior economist.

Mr. Wang Zhe

Mr. Wang Zhe has served as External Supervisor of the Bank since November 2016. He is currently Secretary General of Association of Shanghai Internet Financial Industry and serves concurrently as Vice President of Shanghai Financial Association, Independent Director of Shanghai Pudong Development Bank, and Independent Director of Boill Healthcare Holdings Limited. He successively served as a staff member of Monetary Division and Deputy Division Chief of General Office of the PBOC, Manager of China Gold Coin Shenzhen Commercial Center, Vice General Manager of Shenzhen Branch of China CITIC Bank, General Manager of China Gold Coin Shenzhen Commercial Center, Deputy General Manager of China Gold Coin Incorporation, General Manager, Chairman and Party Secretary of Shanghai Gold Exchange, and CPC Committee Secretary of China Foreign Exchange Trade System. He graduated from Southwestern University of Finance and Economics majoring in Business Administration and holds a Master's Degree.

Mr. Qiao Zhimin

Mr. Qiao Zhimin has served as External Supervisor of the Bank since September 2019. He is concurrently Independent Director of Wuhan Rural Commercial Bank Co., Ltd. He successively served as Deputy Division Director of the Finance and Accounting Department of the Head Office, Deputy General Manager of Luxemburg Branch and Deputy General Manager of the General Planning Department of Head Office of BOC; Deputy Director-General of the Accounting Department and Deputy Director-General of the First Banking Supervision Department of PBOC; Chief of Regulation Team (Director-General Level) for ICBC; Director of the Finance and Accounting Department of the CBRC; Vice Chairman of the Fourth Session of the Board of Supervisors and Chairman of the Fifth Session of the Board of Supervisors for China Minsheng Banking Corp., Ltd.; and Independent Non-Executive Director of the Bank. He graduated from Hunan College of Finance and Economics and majored in Finance. He holds a Master's Degree and a certificate of senior accountant.

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Mr. Xu Keshun

Mr. Xu Keshun has served as Employee Supervisor of the Bank since July 2019. He is currently Chief of the Office of the Board of Supervisors of the Bank (General Manager Level of the Head Office). He served as Chief Deputy Clerk of the Personnel Division and Office of Henan Branch of China Construction Bank; Deputy General Manager (presiding) of the Personnel and Education Department, General Manager of the Business Development Department of Zhengzhou Branch, and Deputy General Director of the Personnel and Education Department of the Head Office of China Investment Bank; Director of the Audit Division of Henan Branch of China Development Bank; Member of the Party Committee and Deputy General Manager of Zhengzhou Branch of the Bank, Secretary of the Party Committee, General Manager of Yantai Branch, Secretary of the Party Committee and General Manager of Zhengzhou Branch of the Bank. He obtained a Master's Degree of EMBA from Guanghua School of Management of Peking University and is a senior economist.

Mr. Sun Jianwei

Mr. Sun Jianwei has served as Employee Supervisor of the Bank since July 2019. He is currently General Manager of the Legal Compliance Department of the Bank. He served as Deputy Manager of the Foreign Exchange and Credit Department of the International Department, Assistant to Director of the Credit Review Division of the Credit Department, Director of the Recovery Division, Director of the System Clearing Division, Director of the System Management Division and Assistant to General Manager of the Asset Preservation Department of the Bank; Member of the Party Committee, Assistant to General Manager and Chief Risk Officer of Kunming Branch; Member of the Party Committee, Deputy General Manager, Chief Risk Officer and Secretary of the Disciplinary Committee of Shijiazhuang Branch; the Deputy Secretary (Presiding) of the Party Committee, Deputy General Manager (presiding), Secretary of the Party Committee and General Manager of Heilongjiang Branch. He graduated from Dongbei University of Finance and Economics with a Master's Degree and is an economist.

Mr. Shang Wencheng

Mr. Shang Wencheng has served as Employee Supervisor of the Bank since July 2019. He is currently General Manager of the Audit Department of the Bank. He served as Deputy Director of the Financial Management Division of the Planning and Finance Department; Accredited Financial Controller (Senior Manager Level) of the Credit Card Centre, Accredited Financial Supervisor (Senior Manager Level) of the Information Technology Department, Senior Manager of the Financial Management Division, and Senior Manager of the Management Accounting Division of the Planning and Finance Department; Deputy Director of the Eastern Audit Center (Assistant General Manager and Deputy General Manager Level of the Head Office) and Deputy General Manager of the Audit Department of the Bank. He graduated from Dongbei University of Finance and Economics with a Master's Degree, and then obtained a Doctor's Degree of Dongbei University of Finance and Economics in finance. He is a senior economist and a certified public accountant.

iii. Senior Management

Mr. Liu Jin

Please refer to the section “Directors”.

Mr. Lu Hong

Please refer to the section “Directors”.

Mr. Wu Chongkuan

Mr. Wu Chongkuan has served as Member of CPC Committee (Executive Vice President Level) of the Bank since April 2014. He is currently Chairman of the Labor Union Committee and Chairman of the Labor Union of the Bank, and Vice Chairman of the Labor Union Committee of China Everbright Group. He joined the Bank in May 1997 and took several positions including: Head and General Manager of the General Office, General Manager of Special Assets Management Department (during which he concurrently served as the Head of the Bank’s Xi’an Group for Accepting Branches of China Investment Bank); Secretary of CPC Committee and General Manager of Heilongjiang Branch; Secretary of CPC Committee and General Manager of Shanghai Branch; and Director of the Working Committee of the Labor Union. He previously served as Director of the Research and Comprehensive Division of China International Staff Service Center, Head and General Manager of the Fund Business Department of China Rural Development Trust Investment Company, etc. Mr. Wu graduated from Northwestern Polytechnical University majoring in space engineering. He is a Bachelor of Engineering and an engineer.

Mr. Yao Zhongyou

Mr. Yao Zhongyou has served as Executive Vice President of the Bank since August 2014 and Member of CPC Committee of the Bank since May 2014. He used to work as Clerk and Deputy Manager of the International Banking Department of Hebei Provincial Branch, General Manager and Secretary of CPC Committee of Chengde Branch, Director of the General Office, Deputy General Manager and Member of CPC Committee of Hebei Provincial Branch of China Construction Bank (“CCB”), Deputy General Manager of the Equity Management Department of China Everbright (Group) Corporation, Executive Director, Member of CPC Committee and Vice President of Everbright Financial Holding Asset Management Co., Ltd., and General Manager of the Financial Management Department of China Everbright (Group) Corporation. He graduated from Wuhan University and holds a Master’s Degree. He holds a certificate of senior economist.

Mr. Huang Haiqing

Mr. Huang Haiqing has served as Member of CPC Committee and Secretary of Discipline Committee of the Bank since he joined the Bank in June 2016. He successively served as Deputy Chief of Jiangxi Province Yichun Area Hardware, Electric Material and Chemical Equipment Company, Director of the Xinhua North Office of Haikou Branch, Deputy Division Chief of the Deposits Department and Deputy Director (Division Chief Level) of the General Office of Hainan Provincial Branch of ICBC, Senior Manager of the General Management Department, Director of the CPC Committee Office and Head of Organization Department of the CPC Committee of the Haikou Office of China Huarong Asset Management Co., Ltd, Deputy General Manager of the Banking Department of the Head Office and Deputy General Manager of Pudong Branch of Bank of Shanghai, and Assistant Mayor, Vice Mayor and Member of CPC Committee of Xi’an City. He graduated from Southwest University of Finance and Economics. He holds a Doctoral Degree in Economics and a certificate of senior economist.

Directors, Supervisors, Senior Management, Staff and Business Outlets

Mr. Sun Qiang

Mr. Sun Qiang has served as Executive Vice President of the Bank since March 2018 and Member of CPC Committee of the Bank since August 2016. After joining the Bank in 1997, he successively served as Deputy General Manager of Zhuhai Sub-branch, General Manager of Shantou Sub-branch of Guangzhou Branch, Assistant General Manager of the Inspection and Security Department of the Head Office, Assistant General Manager and Deputy General Manager of the Corporate Banking Department, Deputy General Manager (Presiding) and General Manager of the Financial Institutions Department, General Manager of the Corporate Banking Department, and Assistant President of the Bank. He used to work in the Survey and Statistics Department and the General Office of PBOC, Head Office of SAFE, and the PBOC Shantou Office in Guangdong Province. He graduated from Peking University with a Bachelor's Degree in Probability Statistics and afterwards acquired a Master's Degree in Money and Banking from the School of Finance, Renmin University of China.

Mr. Qu Liang

Mr. Qu Liang has served as Executive Vice President of the Bank since March 2020, and Member of CPC Committee of the Bank and concurrently Secretary of the CPC Committee and General Manager of the Beijing Branch of the Bank since September 2018. He served as Deputy General Manager of the Corporate Business Department of Henan Branch of ICBC; Director of the Office, General Manager of the Corporate Banking Department II, General Manager of the Corporate Banking Department I of Zhengzhou Branch of China Merchants Bank; Deputy General Manager of the Corporate Banking Division at the Head Office of China Merchants Bank; Secretary of CPC Committee and General Manager of Hohhot Branch of China Merchants Bank; Secretary of CPC Committee and General Manager of Chongqing Branch of China Merchants Bank; and Officer for Deepening Reform of the Leading Group Office for the Comprehensive Deepening Reform (Head office) of China Everbright Group Ltd. He graduated from Zhengzhou University with a Bachelor's Degree in Politics, and obtained a Master's Degree in Economic Law at Zhengzhou University. He is a senior economist.

Mr. Li Jiayan

Mr. Li Jiayan has served as Secretary to the Board of Directors of the Bank since January 2018 and Member of CPC Committee (Executive Vice President Level) of the Bank since July 2019, and concurrently served as Representative of Securities Affairs of the Bank. He joined the Bank in November 2005, and successively served as Deputy General Manager of the Development Research Department, Deputy General Manager of the Strategic Management Department, Deputy Chief of the Office of the Board of Directors and Supervisors (Deputy General Manager Level), Deputy Chief of the Office of the Board of Directors (the Listing Office), Representative of Securities Affairs (General Manager Level), Chief of the Listing Office (General Manager Level) and General Manager of the Capital and Securities Affairs Management Department. He used to work as Deputy Chief of the Project Approval Division of the Foreign Investment Office, Director of the Foreign Investors' Complaints Center, and Chief of the Coordination and Management Division of the Foreign Investment Office of Wuhan Municipal Government, and Executive Deputy General Manager of Wuhan PKF International Investment Co., Ltd. He graduated from School of Law, Wuhan University with a Bachelor's Degree and a Master's Degree in Law. Then he went to the University of California, Berkeley, School of Law for further study, where he obtained a Master's Degree and a Doctoral Degree in Law.

VIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and Supervisors of the Bank had interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

IX. FINANCIAL, BUSINESS AND KINSHIP RELATIONSHIPS AMONG MEMBERS OF THE BOARD OF DIRECTORS

Saved as disclosed in this Report, there is no financial, business, kinship relationships or other material relationships among the members of the Board of Directors.

X. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

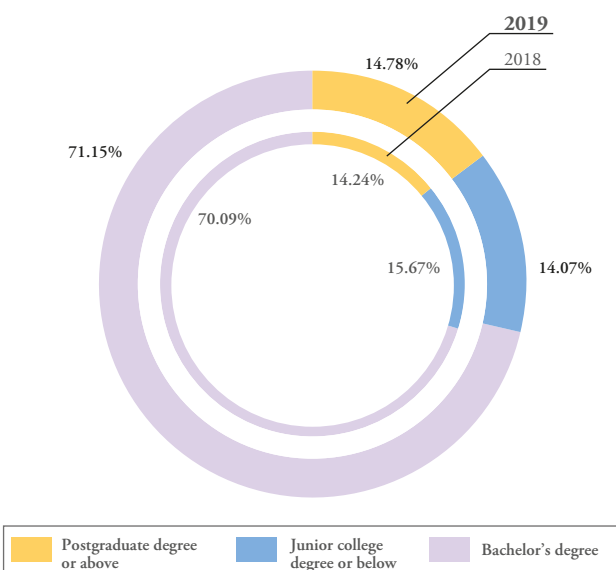
None of the Directors or Supervisors of the Bank or connected parties had any material interest in any material transaction, arrangements or contracts to which the Bank or any of its subsidiaries was a party during the reporting period. None of the Directors or Supervisors of the Bank entered into any service contract, pursuant to which the Bank shall compensate to Director or Supervisor if the contract for each year is terminated for the Bank's reason (excluding statutory compensation).

XI. EMPLOYEES

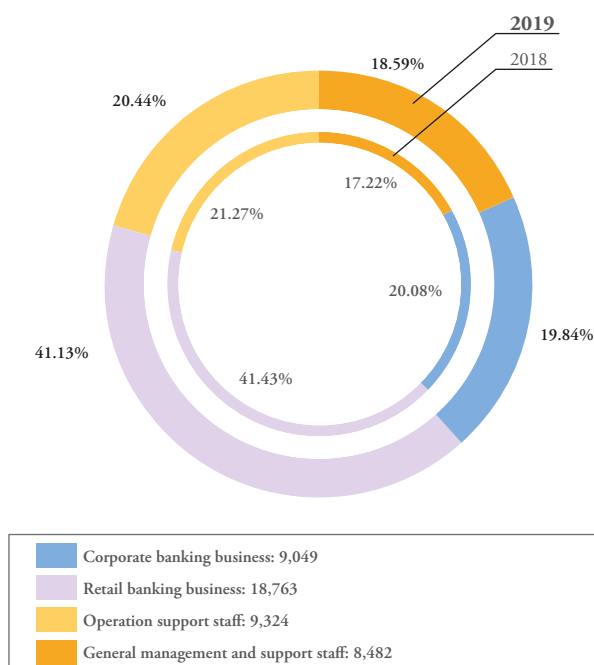
i. Overview

At the end of the reporting period, the Bank had 45,618 employees (exclusive of those of subsidiaries) and 1,197 retired employees. In terms of educational background, 6,417 incumbent employees hold a junior college degree or below, accounting for 14.07% of the total employees, 32,459 incumbent employees hold a bachelor's degree, accounting for 71.15%, and 6,742 incumbent employees hold a postgraduate degree or above, accounting for 14.78%. In terms of profession, there were 9,049 employees in the corporate banking business, accounting for 19.84%; 18,763 employees in the retail banking business (including the credit card business and e-banking business), accounting for 41.13%; 9,324 operation support employees (including tellers), accounting for 20.44%; and 8,482 general management and support employees, accounting for 18.59%.

The educational background structure of employees of the Bank



The profession structure of employees of the Bank



Directors, Supervisors, Senior Management, Staff and Business Outlets

ii. Remuneration Policies for Employees

In response to performance orientation and market competition, the Bank's remuneration policies follow the principles of "efficiency and fairness". The remuneration of employees is comprised of three components, namely basic salary, performance-based salary and fringe benefits. The Bank gives preferential treatment to the frontline employees and profit centers to attract and motivate key and core personnel.

iii. Training Plans

Aiming to highlight the requirements for strategic transformation, center on building up the post-required competence, and facilitate business development and employee growth, the Bank provided training sessions with different contents and forms for its medium and senior managers, business backbones, college students newly employed and employees from the market. Meanwhile, it organized training with specific topic related to key strategies. It also launched new training forms and applied technologies to improve training effect. In 2019, the Bank organized 7,099 training courses and sessions of all sorts, with a participation of total 414,042 person-times.

iv. Employees of Main Subsidiaries at the End of the Reporting Period

1. Everbright Financial Leasing Co., Ltd. had 153 formal employees, including 8 administrative staff, 97 business staff and 48 supporting staff, with 95% of them holding a Bachelor's degree or above.
2. Everbright Wealth Management Co., Ltd. had 113 formal employees, including 9 administrative staff, 64 business staff and 40 supporting staff, with 100% of them holding a Bachelor's degree or above.
3. CEB International Investment Corporation Limited had 91 formal employees, including 4 administrative staff, 38 business staff and 49 supporting staff, with 98% of them holding a Bachelor's degree or above.
4. China Everbright Bank (Europe) S.A. had 17 formal employees, including 3 administrative staff, 10 business staff and 4 supporting staff, with 100% of them holding a Bachelor's degree or above.
5. Shaoshan Everbright Rural Bank Co., Ltd. had 33 formal employees, including 7 administrative staff members, 9 business staff and 17 supporting members, with 75.80% of them holding a Bachelor's degree or above.
6. Jiangsu Everbright Rural Bank Co., Ltd. had 46 formal employees, including 3 administrative staff, 30 business staff and 13 supporting staff, with 84.78% of them holding a Bachelor's degree or above.
7. Jiangxi Ruijin Everbright Rural Bank Co., Ltd. had 33 formal employees, including 3 administrative staff, 22 business staff and 8 supporting staff, with 88% of them holding a Bachelor's degree or above.

XII. INSTITUTIONS

During the reporting period, 10 tier-2 branches (Meishan Branch, Datong Branch, Ji'an Branch, Xiongan Branch, Beihai Branch, Lianyungang Branch, Tongling Branch, Xiangxi Branch, Changde Branch and Zhaoqing Branch) were open for business; five branches (Changzhou Branch, Shaoxing Branch, Zhangzhou Branch, Guilin Branch and Chizhou Branch) were promoted to tier-2 branches; and 21 new banking outlets were put into operation. As at the end of the reporting period, the Bank had 1,287 branches and outlets in Chinese mainland, which included 39 tier-1 branches, 111 tier-2 branches and 1,137 outlets (including sub-branches in different cities, county-level sub-branches, intra-city sub-branches and banking departments of branches). The outlets of the Bank in Chinese mainland managed to cover all provincial administrative regions and extended their business reach to 146 economic center cities across the country. In the meantime, the Bank had four overseas branches in Hong Kong, Seoul, Luxembourg and Sydney respectively. As of the disclosure date of the report, the application for establishing Tokyo Representative Office has been approved by domestic and overseas regulators.

Details of the Bank's employees and business outlets are as follows:

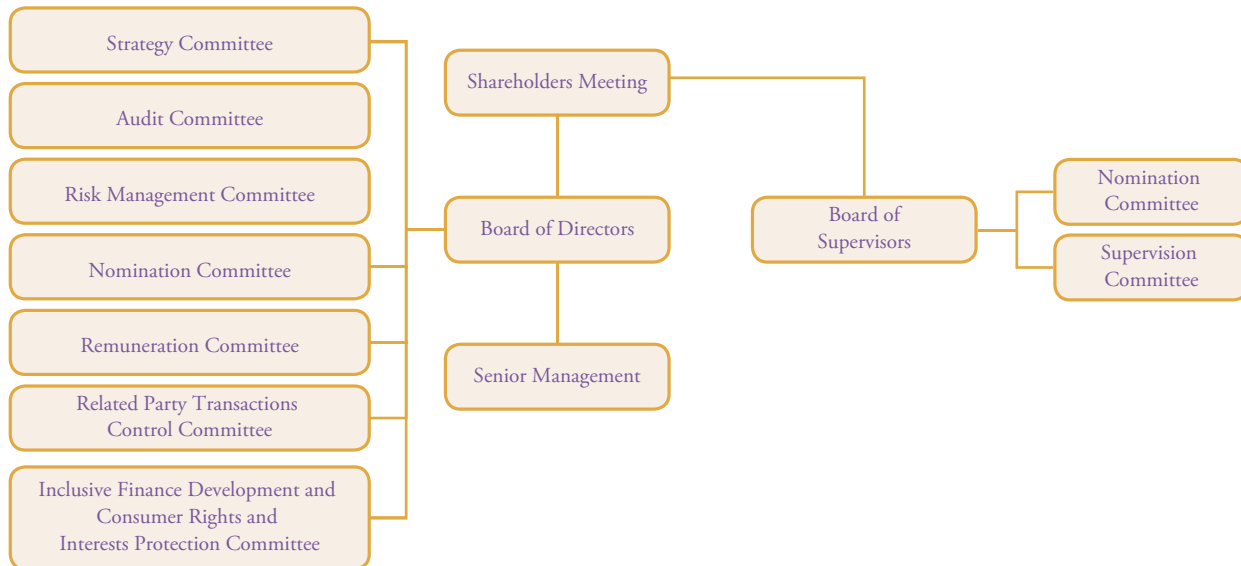
Name of Branch	Number of outlets	Number of employees	Total assets (RMB million)
Head Office	1	6,827	3,086,368
Beijing Branch	70	2,783	552,571
Shanghai Branch	56	1,816	267,668
Tianjin Branch	34	986	68,474
Chongqing Branch	27	939	86,189
Shijiazhuang Branch	55	1,364	107,419
Taiyuan Branch	36	1,074	97,924
Huhhot Branch	20	596	42,406
Dalian Branch	24	706	43,166
Shenyang Branch	38	1,209	62,777
Changchun Branch	38	968	49,029
Heilongjiang Branch	38	1,085	40,986
Nanjing Branch	55	1,559	202,035
Suzhou Branch	21	881	92,071
Wuxi Branch	9	352	67,173
Hangzhou Branch	40	1,300	207,486
Ningbo Branch	19	757	59,369
Hefei Branch	55	1,445	148,051
Fuzhou Branch	42	1,331	73,535
Xiamen Branch	17	537	38,334
Nanchang Branch	29	761	66,784
Ji'nan Branch	35	958	62,997
Qingdao Branch	35	1,047	62,744
Yantai Branch	15	493	41,317
Zhengzhou Branch	49	1,323	120,486
Wuhan Branch	38	1,107	87,286
Changsha Branch	65	1,546	99,569
Guangzhou Branch	91	2,614	220,656
Shenzhen Branch	50	1,219	200,732
Nanning Branch	31	902	57,340
Haikou Branch	22	747	39,440
Chengdu Branch	30	963	87,613
Kunming Branch	23	759	33,620
Xi'an Branch	39	1,132	65,740
Urumqi Branch	7	196	11,394
Guiyang Branch	14	373	27,686
Lanzhou Branch	11	329	19,573
Yinchuan Branch	5	144	4,658
Xining Branch	2	99	3,235
Lhasa Branch	2	70	2,551
Hong Kong Branch	1	204	148,653
Seoul Branch	1	38	15,545
Luxembourg Branch	1	40	29,616
Sydney Branch	1	39	12,055
Adjustment on consolidation			-2,272,754
Total	1,292	45,618	4,641,567

Notes:

1. The employees of the Head Office of the Bank included 3,014 staff in the Credit Card Center and 1,850 persons in the Remote Banking Center.
2. The number of outlets, employees and the total assets listed in the above table excluded subsidiaries' figures.

Corporate Governance

I. CORPORATE GOVERNANCE STRUCTURE



II. OVERVIEW

Aiming at the best practice of corporate governance in the capital market, the Bank has established a sound corporate governance framework and policy system meeting the requirements on modern corporate system, leading to steady improvement in corporate governance of the Bank. In 2019, the Bank strictly complied with the *Company Law*, the *Securities Law*, the *Law on Commercial Banks*, the *Code of the Corporate Governance for Listed Companies*, the *Guidance on the Corporate Governance of Commercial Banks*, the *Guidelines for the Board of Supervisors of Commercial Banks*, the *Hong Kong Listing Rules* and other requirements. The Bank's corporate governance had no major deviation from normative documents regulating the corporate governance of listed companies issued by CSRC.

The Board of Directors of the Bank performed the duties as set out in Rule D.3.1 of Appendix 14 of the *Hong Kong Listing Rules* including reviewing the Bank's corporate governance policies and practices, the training and continuous professional development of Directors and the Senior Management, the Bank's policies and practices in respect of observance of law and regulatory requirements, the Bank's compliance with the *Model Code* and the compliance manual for employees, the Bank's compliance with the provisions of Appendix 14 of the *Hong Kong Listing Rules* and the content disclosed in the section headed "Corporate Governance" in this Report.

During the reporting period, in response to the regulatory requirements and work needs, the Board of Directors of the Bank further revised the *Articles of Association*, the *Rules of Procedures for the Shareholders' General Meeting* and the *Rules of Procedures for the Board of Directors* of the Bank, satisfying the latest regulatory requirements. It improved the *Plan of Authorization by Shareholders' General Meeting to the Board of Directors* and the *Plan of Authorization by the Board of Directors to the President*, making the matters subject to authorization more comprehensive and the limits of authorization more reasonable. It re-elected the Board of Directors, selected candidates for new Independent Non-Executive Directors, and adjusted the composition of special committees under the Board of Directors, so as to ensure the smooth work of the Board of Directors. It formulated the *Interim Measures for Equity Management* of the Bank, established and improved the equity management system and mechanism, and carried out the annual assessment work of majority shareholders. It issued RMB35.0 billion of preference shares, and promoted the issuance of non-fixed term capital bonds to timely replenish capital.

During the reporting period, the Bank safeguarded the minority shareholders' rights of being well-informed, participation and decision-making through proper policy and procedure arrangements. At the shareholders' general meetings, both on-site voting and online voting were adopted. When material matters concerning the interests of medium and small investors were involved, the votes made by medium and small investors were counted and disclosed separately. The Bank and its substantial shareholders were independent in terms of their business, personnel, asset, organization and financial affairs, ensuring the Bank's full autonomy in its operation.

The Bank was awarded the *Best Board of Directors* and the *Most Innovative Board Secretary* in the 15th Gold Round Table Award for Boards of Chinese Listed Companies.

The Board of Directors of the Bank has reviewed its work during the reporting period and solicited the opinions of the Senior Management during its reviewing process, who considered that the Board of Directors has effectively performed its duty and safeguarded the rights and interest of the shareholders and the Bank.

III. SHAREHOLDERS' GENERAL MEETINGS

i. Convening of Shareholders' General Meetings

During the reporting period, the Bank held one annual general meeting, three extraordinary general meetings, one A shareholders' class meeting, one H shareholders' class meeting, and one preference share class meeting, all in conformity with the procedures specified in the Articles of Association of the Bank.

On 27 February 2019, the Bank convened the 2019 First Extraordinary General Meeting, 2019 First A Shareholders' Class Meeting, 2019 First H Shareholders' Class Meeting and 2019 First Preference Share Class Meeting. Chairman of the Board of Directors Mr. Li Xiaopeng presided the meeting. Then Non-Executive Directors Mr. Fu Dong, Mr. Wang Xiaolin, Mr. Shi Yongyan, Independent Non-Executive Directors Mr. Qiao Zhimin, Mr. Xie Rong, Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai, Mr. Wang Liguó were present at the meeting.

On 30 May 2019, the Bank convened the 2018 Annual General Meeting. Chairman of the Board of Directors Mr. Li Xiaopeng presided the meeting. Then Executive Director and President Mr. Ge Haijiao, Non-Executive Director Mr. Fu Dong, Mr. Cai Yunge, Mr. Wang Xiaolin, Mr. Shi Yongyan, Independent Non-Executive Director Mr. Qiao Zhimin, Ms. Fok Oi Ling Catherine, Mr. Wang Liguó were present at the meeting.

On 30 July 2019, the Bank convened the 2019 Second Extraordinary General Meeting. Chairman of the Board of Directors Mr. Li Xiaopeng presided the meeting. Then Executive Director and President Mr. Ge Haijiao, Non-Executive Director Mr. Fu Dong, Mr. Wang Xiaolin, Mr. Shi Yongyan, Independent Non-Executive Directors Mr. Qiao Zhimin, Mr. Xie Rong, Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai were present at the meeting.

On 20 December 2019, the Bank convened the 2019 Third Extraordinary General Meeting. Chairman of the Board of Directors Mr. Li Xiaopeng presided the meeting. Then Executive Director Mr. Lu Hong, Non-Executive Directors Mr. Wang Xiaolin, Mr. Shi Yongyan, Mr. Dou Hongquan, Ms. Yu Chunling, Independent Non-Executive Directors Ms. Fok Oi Ling Catherine, Mr. Wang Liguó, Mr. Shao Ruiqing, Mr. Hong Yongmiao were present at the meeting.

The announcement on the above meetings was published on the websites of SSE, HKEX and the Bank. Please refer to *the Work Report by the Independent Non-Executive Directors for 2019* for the details about the Independent Non-Executive Directors' attendance to the Shareholders' General Meetings during the reporting period.

Corporate Governance

ii. Implementation of the Resolutions of the Shareholders' General Meetings by the Board of Directors

During the reporting period, the Board of Directors of the Bank earnestly and fully implemented resolutions considered and approved at the shareholders' general meetings of the Bank.

The Board of Directors of the Bank earnestly implemented the profit distribution plan for 2018, distributed dividends to shareholders in time, and safeguarded shareholders' interests properly. The profit distribution plan has been completed in July 2019.

In accordance with the proposal on the extension of the validity period of the resolutions in respect of plan of domestic non-public preference shares issuance and the proposal on re-granting the specific mandate to the Board of Directors to handle matters relating to the domestic non-public preference shares issuance considered and approved by the 2019 First Extraordinary General Meeting, 2019 First A Shareholders' Class Meeting, 2019 First H Shareholders' Class Meeting and 2019 First Preference Share Class Meeting, the Bank completed the issuance of 350 million preference shares in July 2019, raising proceeds of RMB35.0 billion.

Upon consideration and approval of the proposal regarding the election of Directors of the Eighth Session of the Board of Directors at the 2019 Second and Third Extraordinary General Meetings, the Bank timely reported to CBIRC the qualifications of new Directors. As at the disclosure date of this Report, the qualifications of most Directors had been approved.

IV. DIRECTORS AND BOARD OF DIRECTORS

i. Board Composition

As at the end of the reporting period, the Board of Directors consisted of 15 directors, including 1 Executive Director (Mr. Lu Hong), 8 Non-Executive Directors (Mr. Li Xiaopeng, Mr. Cai Yunge, Mr. Wang Xiaolin, Mr. Shi Yongyan, Mr. Dou Hongquan, Mr. He Haibin, Mr. Liu Chong and Ms. Yu Chunling), and 6 Independent Non-Executive Directors (Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai, Mr. Feng Lun, Mr. Wang Ligu, Mr. Shao Ruiqing and Mr. Hong Yongmiao).

The Bank has paid special attention to the diversity of the members of the Board of Directors. In accordance with the *Policy on Membership Diversity of the Board of Directors* of the Bank, the Nomination Committee of the Board of Directors comprehensively evaluated the candidates' gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. when examining the appointment qualifications and conditions of director candidates and submitting its recommendation to the Board of Directors. The Nomination Committee is also responsible for evaluating the structure, number of members and composition of the Board of Directors, and recommending to the Board on any proposed adjustments that correspond with the strategy of the Bank. As at the end of the reporting period, out of the 15 directors of the Bank, 2 are female, and 14 hold a postgraduate degree or above with 11 holding a doctoral degree. The Non-Executive Directors hold/have held key positions in their respective institutions and possess profound professional background and extensive managerial experience. The Independent Non-Executive Directors are experts in economy, finance, accounting, auditing and other aspects, and can provide the Bank with professional advice in different areas.

For the details of the biographies of directors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

ii. Duties and Powers of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is responsible for convening the shareholders' general meeting, reporting to the shareholders' general meeting and implementing resolutions passed at the shareholders' general meeting. The Board of Directors shall also set out strategies, operation plans and investment plans and formulate various proposals on financial budget, final accounts, risk capital allocation, and profit distribution and appoint members of senior management. Please refer to the *Articles of Association* of the Bank for details.

iii. Board Meetings and Resolutions

During the reporting period, the Board of Directors held 14 meetings, including 8 on-site meetings and 6 meetings via written resolutions. The Board of Directors considered a total of 112 proposals and heard 18 reports, playing an effective role in scientific decision-making.

The Board of Directors highly valued the strategy adjustment, and regularly assessed the strategy implementation. It continuously strengthened capital constraints and promoted the implementation of various capital replenishment plans. It improved the performance appraisal and remuneration measures for the Senior Management, and kept improving the incentive and constraint mechanism. It continuously intensified risk management and internal control with an aim to forestall and mitigate various risks. Besides, the Board of Directors strengthened fairness review on major related party transactions, and further improved the standard of the management over related party transactions. It stepped up self-development and continued to improve its scientific decision-making ability. It also performed information disclosure obligations prudently, and continuously enhanced the management of insiders.

The relevant announcements of resolutions of Board Meetings of the Bank are published on the websites of SSE, HKEX and the Bank.

iv. Attendance of Directors at Board Meetings

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Li Xiaopeng	14	13	1	0
Cai Yunge	14	11	3	0
Lu Hong	5	5	0	0
Wang Xiaolin	14	14	0	0
Shi Yongyan	14	14	0	0
Dou Hongquan	5	5	0	0
He Haibin	14	12	2	0
Liu Chong	0	0	0	0
Yu Chunling	3	2	1	0
Fok Oi Ling Catherine	14	14	0	0
Xu Hongcai	14	13	1	0
Feng Lun	14	6	8	0
Wang Ligu	14	13	1	0
Shao Ruiqing	7	7	0	0
Hong Yongmiao	6	6	0	0

Note:

Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications for director are approved by CBIRC.

Corporate Governance

v. Appointment, Re-election and Removal of Directors

In accordance with the *Articles of Association* of the Bank, directors shall be elected and replaced at the shareholders' general meeting, and the term of office for directors (including Non-Executive Directors) is three years. Starting from the date when their appointment qualifications are approved by CBIRC, directors can be re-elected and re-appointed when the term of office has expired, and the term of office of the re-elected and re-appointed directors commences from the date when such re-election and re-appointments are considered and approved at the shareholders' general meeting.

The term of office of the Independent Non-Executive Directors is the same as that of other directors of the Bank. The term of office of the Independent Non-Executive Directors in the Bank shall conform to applicable laws and provisions of regulatory authorities.

The *Articles of Association* of the Bank stipulates the procedures for appointing, re-electing and removing directors. The Nomination Committee of the Board of Directors preliminarily reviews the appointment qualification and conditions of each director candidate and submits recommendations to the Board of Directors, which will consider and approve the proposal on the nomination of director candidates and further submit it for election at the shareholders' general meeting.

vi. Board Statement on the Financial Statements

The Senior Management has provided sufficient explanation and information for the Board of Directors to make well-informed judgments in respect to the submitted financial statements and other data for approval. The directors of the Bank acknowledge that they are responsible to prepare the financial statements of the Bank which truly represent the operating results of the Bank for the year of 2019. To the best knowledge of the directors, there was no material uncertain event or condition that might have a material adverse effect on the continuing operation of the Bank.

V. THE CHAIRMAN AND THE PRESIDENT

The roles and work of the Chairman of the Board and the President are performed by different individuals, and their respective responsibilities are clearly defined and divided, which is in compliance with the provisions of the *Hong Kong Listing Rules*. During the reporting period, Mr. Li Xiaopeng, the Chairman of the Board of Directors of the Bank, was responsible for convening and presiding the meetings of the Board of Directors, ensuring that all directors attending the Board meetings were properly informed of the issues to be reviewed and reported, managing the operation of the Board of Directors, making sure that all key and relevant issues were discussed by the Board of Directors in a constructive and timely manner. In January-September 2019, Mr. Ge Haijiao served as the President of the Bank to preside over the overall operation and management work, organize the implementation of the resolutions of the Board of Directors, and carry out the strategies and business plans of the Bank. On 30 September 2019, Mr. Ge Haijiao resigned from the President of the Bank. In November-December 2019, Mr. Lu Hong performed the duties of the President of the Bank upon the approval of the Board of Directors. In January 2020, Mr. Liu Jin was appointed the President of the Bank.

VI. INDEPENDENT NON-EXECUTIVE DIRECTORS

i. Independence of the Independent Non-executive Directors

The six Independent Non-Executive Directors of the Bank are not involved in any factors influencing their independence mentioned in Rule 3.13 of the *Hong Kong Listing Rules*. The Bank has received the letter of annual confirmation about his or her independence issued from each Independent Non-Executive Director according to Rule 3.13 of the *Hong Kong Listing Rules*. The Bank holds that all Independent Non-Executive Directors have met the independence requirements of the *Hong Kong Listing Rules*.

ii. Attendance of shareholders' general meetings by Independent Non-Executive Directors

Please refer to "III" of this section for details.

iii. Attendance of Board meetings by Independent Non-executive Directors

Please refer to "IV" of this section for details.

iv. Independent Non-Executive Directors' objections to any issues of the Bank

During the reporting period, none of the Independent Non-Executive Directors of the Bank had raised any objections to the proposals of the Board of Directors and other issues.

v. Duty performance of Independent Non-Executive Directors

As at the end of the reporting period, the Bank had six Independent Non-Executive Directors, exceeding one-third of the Board members. In accordance with the *Articles of Association*, the Remuneration Committee, the Nomination Committee, the Related Party Transactions Control Committee and the Audit Committee of the Board of Directors were chaired by Independent Non-Executive Directors. During the reporting period, they expressed their independent opinions on all issues involving the interests of minority shareholders, such as profit distribution plans, nomination of directors, appointment of the senior management, remuneration of directors and the senior management, and major related party transactions in accordance with the *Articles of Association* of the Bank. In all Board committees, each of the Independent Non-Executive Directors, based on their expertise, provided professional and constructive opinions and recommendations on issues under discussion. When the Board of Directors was not in session, the Independent Non-Executive Directors kept themselves updated of the Bank's internal documents and information on the Bulletin of the Board and participated in the director communication meetings and seminars, so as to be well informed of internal control audit, strategic transformation, business development, and risk prevention and control of the Bank. They communicated actively with other directors, supervisors, senior management members and auditors, so as to obtain necessary information to perform their duties. Independent Non-Executive Directors maintained close contacts with the Bank via emails and phone calls.

In accordance with relevant rules of HKEX, the Bank held seminars between the Chairman of the Board of Directors and Independent Non-executive Directors, and participating Independent Non-executive Directors raised comments and suggestions on corporate governance, strategy implementation and operational management. The Independent Non-Executive Directors' recommendations were highly valued and some were adopted by the senior management, playing a positive role in defining strategic direction, and improving the risk prevention & control and profitability of the Bank.

Corporate Governance

VII. DUTY PERFORMANCE OF BOARD COMMITTEES

The Board of Directors of the Bank has set up the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Remuneration Committee, the Related Party Transactions Control Committee, and the Inclusive Finance Development and Consumer Rights and Interests Protection Committee. During the reporting period, the special committees held 46 meetings, including 4 meetings of the Strategy Committee, 7 meetings of the Audit Committee, 7 meetings of the Risk Management Committee, 7 meetings of the Nomination Committee, 4 meetings of the Remuneration Committee, 13 meetings of the Related Party Transactions Control Committee, and 4 meetings of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee. During these meetings, 90 proposals were reviewed and 32 reports were considered. The Board committees, based on the division of duties and powers, carefully considered material issues in the Bank's operation and management and provided professional support for the Board of Directors to make scientific decisions.

i. Strategy Committee

At the end of the reporting period, the Strategy Committee consisted of 5 members, including Non-Executive Directors Mr. Li Xiaopeng (Chairman), Mr. Wang Xiaolin and Mr. Dou Hongquan, and Independent Non-Executive Directors Mr. Xu Hongcai and Mr. Hong Yongmiao.

Primary duties and responsibilities of the Strategy Committee include reviewing and discussing plans on capital management and replenishment, annual operation plan and major investment programs, conducting researches on the Bank's business objectives together with medium and long-term development strategies as well as advising the Board accordingly.

During the reporting period, the Strategy Committee reviewed and approved the proposals on the Bank's business plan and financial budget plan for 2019, the 2019 annual fixed assets investment budget plan, and the issuance of non-fixed term capital bonds. The Committee also heard the report on strategy implementation in 2018 and EY Hua Ming's analysis report on strategy formulation and implementation.

During the reporting period, the Strategy Committee convened 4 meetings (all on-site meetings), at which it reviewed 4 proposals and heard 2 reports. The attendance of committee members is as follows:

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Li Xiaopeng	4	3	1	0
Wang Xiaolin	1	1	0	0
Dou Hongquan	0	0	0	0
Xu Hongcai	4	4	0	0
Hong Yongmiao	0	0	0	0

Notes:

- On 30 July 2019, the First Meeting of the Eighth Session of the Board of Directors of the Bank elected Mr. Li Xiaopeng, Mr. Ge Haijiao, Mr. Wang Xiaolin, Mr. Dou Hongquan, Mr. Xu Hongcai and Mr. Hong Yongmiao as members of the Strategy Committee of the Eighth Session of the Board of Directors, and approved Mr. Li Xiaopeng to serve as Chairman of the Strategy Committee of the Eighth Session of the Board of Directors. On 30 September 2019, Mr. Ge Haijiao resigned from the member of the Committee.
- Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications for director are approved by CBIRC.

ii. Audit Committee

At the end of the reporting period, the Audit Committee consists of 6 members, of which the majority were Independent Non-Executive Directors. Its members included Independent Non-executive Directors Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai, Mr. Wang Ligu and Mr. Shao Ruiqing, and Non-executive Directors Mr. Cai Yunge and Mr. He Haibin.

Primary duties of the Audit Committee include examining the Bank's internal control policy and monitoring its implementation; inspecting the Bank's risk management and compliance conditions; examining and monitoring the Bank's internal audit policy and guiding the work of the internal audit departments; recommending the engagement of external auditors; guiding and monitoring the work of external auditors; and overseeing the Bank's annual audit.

During the reporting period, the Audit Committee considered the annual auditor's report on financial statements for A shares and H shares, the interim review report, the quarterly reports on the implementation of agreed-upon procedures and regulatory reports, the internal control assessment report and the audit report on internal control. The Committee also heard the internal audit work summary, the Proposal for Management of 2018 and the report on related rectifications; and observed and discussed the performance of the annual, interim and quarterly operation. The Committee also invited EY Hua Ming to make presentations on review and outlook of listed banks in 2018, and AML regulation situation and main focuses.

In accordance with the requirements of the *Annual Report Procedures of the Audit Committee of the Board of Directors*, the Audit Committee of the Bank earnestly performed its duties for annual audit, reviewed the work plan for annual audit prepared by the auditor, and came up with major issues meriting particular attention in the audit process. In March 2020, the Audit Committee convened a meeting to review the 2019 auditor's report on financial statements of the Bank submitted by EY Hua Ming/EY. The Committee held that the auditor's report reflected the overall situation of the Bank in a truthful, accurate and complete manner, and formed a resolution which was submitted to the Board of Directors for review.

During the reporting period, the Audit Committee convened 7 meetings (including 4 on-site meetings and 3 meetings via written resolutions), at which it considered 15 proposals and heard 15 reports. The attendance of committee members is as follows:

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Cai Yunge	7	6	1	0
He Haibin	7	4	3	0
Fok Oi Ling Catherine	7	7	0	0
Xu Hongcai	3	3	0	0
Wang Ligu	7	7	0	0
Shao Ruiqing	2	2	0	0

Notes:

- On 30 July 2019, the First Meeting of the Eighth Session of the Board of Directors of the Bank elected Mr. Cai Yunge, Mr. Fu Dong, Mr. He Haibin, Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai, Mr. Wang Ligu and Mr. Shao Ruiqing as members of the Audit Committee of the Eighth Session of the Board of Directors. On 16 August 2019, Mr. Fu Dong resigned from the member of the Committee.
- Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications for director are approved by CBIRC.

Corporate Governance

iii. Risk Management Committee

At the end of the reporting period, the Risk Management Committee consisted of 6 members, including Non-Executive Directors Mr. Wang Xiaolin (Chairman), Mr. Cai Yunge, Mr. Liu Chong and Ms. Yu Chunling, Executive Director Mr. Lu Hong and Independent Non-Executive Director Mr. Shao Ruiqing.

Primary duties of the Risk Management Committee of the Board of Directors include: determining the risk management policies of the Bank and the overall risk tolerance; supervising the duty performance of the Senior Management of the Bank in controlling credit, market, operational, liquidity, compliance and reputational risks, etc.; evaluating the basic risk management policy and management mechanism of the Bank; recommending the Bank's management objective of capital adequacy ratio, reviewing and supervising the implementation of the Bank's capital plan and the monitoring of the capital adequacy ratio, and taking charge of the implementation of Basel III and anti-money laundering (AML) management.

During the reporting period, the Risk Management Committee considered and approved the risk management reports, risk management and capital management policies, money laundering risk management policies, capital adequacy ratio reports, internal capital adequacy assessment reports, AML law reinforcement inspection and rectification reports, risk appetite indicators, and other proposals, and paid constant attention to the review and adjustment of credit investment policies, internal control compliance and fraud case prevention management, AML management, credit approval and other aspects of work.

During the reporting period, the Risk Management Committee convened 7 meetings (including 4 on-site meetings and 3 meeting via written resolutions), at which it reviewed 11 proposals and heard 8 reports. The attendance of committee members is as follows:

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Wang Xiaolin	7	7	0	0
Cai Yunge	7	7	0	0
Lu Hong	1	1	0	0
Liu Chong	0	0	0	0
Yu Chunling	0	0	0	0
Shao Ruiqing	2	2	0	0

Notes:

- On 30 July 2019, the First Meeting of the Eighth Session of the Board of Directors of the Bank elected Mr. Wang Xiaolin, Mr. Ge Haijiao, Mr. Cai Yunge, Mr. Lu Hong, Mr. Fu Dong, Mr. Liu Chong, Ms. Yu Chunling and Mr. Shao Ruiqing as members of the Risk Management Committee of the Eighth Session of the Board of Directors, and approved Mr. Wang Xiaolin to serve as the Chairman of the Risk Management Committee of the Eighth Session of the Board of Directors. On 16 August 2019, Mr. Fu Dong resigned from the member of the Committee, and on 30 September 2019, Mr. Ge Haijiao resigned from the member of the Committee.
- Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications for director are approved by CBIRC.

iv. Nomination Committee

At the end of the reporting period, the Audit Committee consisted of 5 members, of which the majority and the Chairman were Independent Non-Executive Directors. Its members included Independent Non-executive Directors Mr. Xu Hongcai (Chairman), Ms. Fok Oi Ling Catherine and Mr. Hong Yongmiao, and Non-executive Directors Mr. Li Xiaopeng and Mr. Shi Yongyan.

Primary duties and responsibilities of the Nomination Committee include: building the talent pool of qualified candidates for directors and Senior Management; drafting the procedures and the selection criteria for directors and Senior Management, preliminarily reviewing the appointment qualifications and conditions of candidates, and advising the Board accordingly; making the suggestions on the composition of other special committees for the Board's approval based on the nomination of the Chairman of the Board of Directors and taking into account the expertise and willingness of the director as well as the actual needs of the Board of Directors; assessing the Board structure, the number of Board members and the Board composition each year and offering recommendations on the proposed adjustment of the Board of Directors according to the Bank's strategy; evaluating the training and professional development of the director and the Senior Management.

During the reporting period, the Nomination Committee considered and approved the proposals on candidates for directors, composition of special committees, proposed appointment of the President and Vice President, annual assessment report of the Board of Directors, etc., and offered suggestions to the Board of Directors.

During the reporting period, the Nomination Committee convened 7 meetings (all on-site meetings), at which it considered 13 proposals. The attendance of committee members is as follows:

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Xu Hongcai	7	6	1	0
Li Xiaopeng	7	7	0	0
Shi Yongyan	7	7	0	0
Fok Oi Ling Catherine	7	7	0	0
Hong Yongmiao	3	3	0	0

Notes:

- On 30 July 2019, the First Meeting of the Eighth Session of the Board of Directors of the Bank elected Mr. Xu Hongcai, Mr. Li Xiaopeng, Mr. Shi Yongyan, Ms. Fok Oi Ling Catherine, Mr. Hong Yongmiao as members of the Nomination Committee of the Eighth Session of the Board of Directors, and approved Mr. Xu Hongcai to serve as the Chairman of the Nomination Committee of the Eighth Session of the Board of Directors.
- Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications for director are approved by CBIRC.

Corporate Governance

v. Remuneration Committee

At the end of the reporting period, the Remuneration Committee consisted of 7 members, of which the majority and the Chairman were Independent Non-Executive Directors. The members included Independent Non-executive Directors Mr. Hong Yongmiao (Chairman), Ms. Fok Oi Ling Catherine, Mr. Feng Lun, Mr. Wang Liguó and Mr. Shao Ruiqing, and Non-Executive Directors Mr. Li Xiaopeng and Mr. Wang Xiaolin.

Primary duties and responsibilities of the Remuneration Committee include: drafting the remuneration management policy for the directors and the Senior Management, making recommendations to the Board and overseeing the implementation of the policy; reviewing the duty performance of directors and the Senior Management and making recommendations to the Board on the examination and evaluation of them; making proposal of the remuneration plan of directors and the Senior Management and submitting the same to the Board for approval; reviewing the basic policies involving salaries and benefits of the Bank's employees, advising the Board accordingly and supervising the implementation of these policies, etc.

During the reporting period, the Remuneration Committee considered and approved the Board of Directors' Report on the Evaluation of General Performance of Duties by Directors for 2018, the 2018 Remuneration Standard for Directors, and the Comprehensive Evaluation Measures and Remuneration Management Measures for the Senior Management, heard the work reports made by the Senior Management one by one, and studied and proposed the assessment and evaluation results of the Senior Management in 2018 and the remuneration plan for them.

During the reporting period, the Remuneration Committee convened 4 meetings in total (all on-site meetings), at which it considered 7 proposals. The attendance of Committee members is as follows:

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Hong Yongmiao	1	1	0	0
Li Xiaopeng	4	3	1	0
Wang Xiaolin	2	2	0	0
Fok Oi Ling Catherine	4	4	0	0
Feng Lun	4	0	4	0
Wang Liguó	4	4	0	0
Shao Ruiqing	1	1	0	0

Notes:

- On 30 July 2019, the First Meeting of the Eighth Session of the Board of Directors of the Bank elected Mr. Hong Yongmiao, Mr. Li Xiaopeng, Mr. Wang Xiaolin, Ms. Fok Oi Ling Catherine, Mr. Wang Liguó, Mr. Shao Ruiqing as members of the Remuneration Committee of the Eighth Session of the Board of Directors, and approved Mr. Hong Yongmiao to serve as the Chairman of the Remuneration Committee of the Eighth Session of the Board of Directors.
- Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications for director are approved by CBIRC.

vi. Related Party Transactions Control Committee

At the end of the reporting period, the Related Party Transactions Control Committee was composed of 7 members, of which the majority and the Chairman were Independent Non-Executive Directors. Its members included Independent Non-executive Directors Ms. Fok Oi Ling Catherine (Chairman), Mr. Xu Hongcai, Mr. Feng Lun, Mr. Wang Ligu, Mr. Shao Ruiqing and Mr. Hong Yongmiao, and Non-executive Director Ms. Yu Chunling.

Primary duties and responsibilities of the Related Party Transactions Control Committee include: filing the common related party transactions; reviewing major related party transactions and submitting the same to the Board of Directors for consideration; providing detailed reports to the Board of Directors on the overall status, risk level and structural distribution of related party transactions conducted in the year; developing the related party transactions management measures and submitting the same to the Board of Directors for approval before implementation; identifying the related parties of the Bank and reporting them to the Board of Directors and the Board of Supervisors, and timely announcing such related parties to the relevant staff of the Bank.

During the reporting period, the Related Party Transactions Control Committee reviewed and approved proposals on the 2018 Report on Related Party Transactions, 36 major related party transactions, received the filings of 20 general related party transactions, and heard the report on the management of related party transactions, the report on improving the management of related party transactions, and the report on audits on related party transactions.

During the reporting period, the Related Party Transactions Control Committee held 13 meetings in total (including 5 on-site meetings and 8 meetings via written resolutions), at which it considered 38 proposals and heard 3 work reports. The attendance of Committee members is as follows:

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Fok Oi Ling Catherine	13	13	0	0
Yu Chunling	2	2	0	0
Xu Hongcai	13	13	0	0
Feng Lun	13	8	5	0
Wang Ligu	13	13	0	0
Shao Ruiqing	5	5	0	0
Hong Yongmiao	3	3	0	0

Notes:

- On 30 July 2019, the First Meeting of the Eighth Session of the Board of Directors of the Bank elected Ms. Fok Oi Ling Catherine, Ms. Yu Chunling, Mr. Xu Hongcai, Mr. Wang Ligu, Mr. Hong Yongmiao, Mr. Shao Ruiqing as members of the Related Party Transactions Control Committee of the Eighth Session of the Board of Directors, and approved Independent Non-Executive Director Ms. Fok Oi Ling Catherine to serve as the Chairman of the Related Party Transactions Control Committee of the Eighth Session of the Board of Directors.
- Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications for director are approved by CBIRC.

Corporate Governance

vii. Inclusive Finance Development and Consumer Rights and Interests Protection Committee

As of the end of the reporting period, the Inclusive Finance Development and Consumer Rights and Interests Protection Committee was composed of 5 members, including Non-Executive Directors Mr. Shi Yongyan, Mr. Dou Hongquan, Mr. He Haibin and Mr. Liu Chong, and Independent Non-executive Director Mr. Wang Ligu.

Primary duties and responsibilities of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee include: formulating a development strategic plan for the Bank's inclusive finance business; reviewing the Bank's general policy for inclusive finance, and assessing evaluation measures and annual business plan; guiding and supervising the Senior Management on the development of inclusive finance work; formulating strategies, policies, and objectives of the Bank's protection of consumer rights and interests; urging the Senior Management to effectively implement consumer rights and interests protection related work; and supervising and evaluating consumer rights and interests protection work of the Bank.

During the reporting period, the Inclusive Finance Development and Consumer Rights and Interests Protection Committee heard and discussed reports on the inclusive finance work in 2018, the consumer rights and interest protection work in 2018, the rectification of problems identified in the assessment and evaluation of the consumer rights and interests protection work in 2018, the rectification after the investigation into consumer rights and interests infringements, etc. Besides, the Senior Management submitted the work report for the first half of 2019 and the work plan for the second half of 2019 on inclusive finance and consumer rights and interest protection work in written form.

During the reporting period, the Inclusive Finance Development and Consumer Rights and Interests Protection Committee convened 4 meetings (all on-site meetings), at which it considered 2 proposals and heard 4 reports. The attendance of Committee members is as follows:

Name	Number of meetings during the term of office	Attendance in person	Attendance by proxy	Absence
Shi Yongyan	4	4	0	0
Dou Hongquan	1	1	0	0
He Haibin	4	3	1	0
Liu Chong	0	0	0	0
Wang Ligu	4	4	0	0

Notes:

- On 30 July 2019, the First Meeting of the Eighth Session of the Board of Directors of the Bank elected Mr. Ge Haijiao, Mr. Shi Yongyan, Mr. Dou Hongquan, Mr. He Haibin, Mr. Liu Chong and Mr. Wang Ligu as members of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee of the Eighth Session of the Board of Directors, and approved Mr. Ge Haijiao to serve as the Chairman of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee of the Eighth Session of the Board of Directors. On 30 September 2019, Mr. Ge Haijiao resigned from the Chairman and member of the Committee.
- Directors newly appointed in 2019 would start to perform their duties after their appointment qualifications as directors are approved by CBIRC.

VIII. SUPERVISORS AND THE BOARD OF SUPERVISORS

The Board of Supervisors earnestly executed the regulatory requirements and collaborated with the Board of Directors and the Senior Management, while performing various supervisory duties in accordance with the law. It prudently and objectively provided the supervision and evaluation opinions on the Board of Directors and its members, and the Senior Management, and actively conducted evaluation on its own duty performance, in order to facilitate the effective duty performance of related parties; focused on the Bank's major financial decision-making and related implementation and reviewed the financial statements and the profit distribution plans so as to achieve targeted financial supervision; enhanced the supervision on the risk management, internal control, strategic management and remuneration management and promoted the compliant and steady operation of the Bank by hearing reports, carrying out investigations and research, and conducting interviews with relevant departments. During the reporting period, based on its surveys and studies on the Bank's implementation of strategies, support for the real economy, and risk governance and internal control, the Board of Supervisors provided decision-making recommendations for the Board of Directors and the Senior Management, thus playing an active role in improving the Bank's corporate governance and achieving healthy and sustainable development.

i. Composition of the Board of Supervisors

At the end of the reporting period, the Board of Supervisors consisted of 9 members, including 3 Shareholder Supervisors (Mr. Li Xin, Mr. Yin Lianchen, Mr. Wu Junhao), 3 External Supervisors (Mr. Wu Gaolian, Mr. Wang Zhe, Mr. Qiao Zhimin) and 3 Employee Supervisors (Mr. Xu Keshun, Mr. Sun Jianwei, Mr. Shang Wencheng). The members of the Board of Supervisors, with rich experience in finance, accounting and business management, have demonstrated sufficient expertise and independence, thus ensuring the effective functioning of the Board of Supervisors.

For the details of the biographies of supervisors, please refer to "Directors, Supervisors, Senior Management, Staff and Business Outlets".

ii. Performance of Its Supervisory Duties by Board of Supervisors

The primary ways for the Board of Supervisors to perform its supervising duties include: holding regular meetings, attending the shareholders' general meetings, the meetings of the Board of Directors and Board committees as voting or non-voting delegates, attending relevant meetings of the Senior Management as non-voting delegates, reviewing business management reports, attending to the reports of all business lines and branches, conducting interviews with persons in charge of various branches and departments, conducting inspections on the Bank's branches and outlets, and providing its supervision recommendations and meetings minutes to the Board of Directors and the Senior Management. In this way, the Board of Supervisors supervised the Board of Directors and Senior Management in terms of their duty performance, financial management, risk management, internal control management, strategy management and remuneration management.

iii. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors, in accordance with the relevant provisions in the *Articles of Association* of the Bank and the rules of procedures, convened 8 meetings, including 5 on-site meetings and 3 meetings via written resolutions, at which it reviewed 23 proposals and considered 5 reports, including regular reports of the Bank, the reports on the evaluation of the duty performance of the Board of Directors and the Senior Management, the internal control report, the profit distribution plan and remuneration of the Supervisors, and formed clear opinions on relevant proposals.

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During the reporting period, the supervisors attended all the shareholders' general meetings, participated in all the meetings of the Board of Directors as non-voting delegates and supervised the compliance and legality of the aforementioned meetings, the voting procedures and the attendance, speeches and voting of the directors.

iv. Attendance of Supervisors at Meetings of the Board of Supervisors

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
Li Xin	8	8	0	0
Yin Lianchen	8	6	2	0
Wu Junhao	8	6	2	0
Wu Gaolian	8	8	0	0
Wang Zhe	8	6	2	0
Qiao Zhimin	2	2	0	0
Xu Keshun	4	4	0	0
Sun Jianwei	4	4	0	0
Shang Wencheng	4	4	0	0

Notes:

- Mr. Xu Keshun, Mr. Sun Jianwei and Mr. Shang Wencheng had begun performing their duties since 26 July 2019 when they were elected as Employee Representative Supervisors at the employee representative meeting of the Bank.
- On 12 September 2019, Mr. Qiao Zhimin began performing his duties as an External Supervisor when the appointment qualification of Independent Non-executive Director Mr. Hong Yongmiao who took over Mr. Qiao Zhimin was approved by CBIRC.

v. Special Committees of the Board of Supervisors

The two committees under the Board of Supervisors are the Nomination Committee and the Supervision Committee. The Nomination Committee consists of 6 members while the Supervision Committee consists of 6 members. The Chairmen of both committees are External Supervisors.

1. Nomination Committee

As of the end of the reporting period, the members of the Nomination Committee included Mr. Qiao Zhimin (Chairman), Mr. Li Xin, Mr. Yin Lianchen, Mr. Wu Gaolian, Mr. Wang Zhe and Mr. Xu Keshun.

Primary duties of the Nomination Committee include: making suggestions to the Board of Supervisors regarding the size and composition of the Board of Supervisors; drafting the procedures and criteria for selecting Supervisors and advising the Board of Supervisors accordingly; conducting preliminary review of the qualifications and conditions of the supervisor candidates and advising the Board of Supervisors accordingly; supervising the procedures of the selection and appointment of Directors; drafting the plan for supervising the duty performance of Directors, Supervisors and Senior Management, making comprehensive evaluation in this regard and reporting to the Board of Supervisors; supervising the rationality of the remuneration management policies of the Bank and the remuneration plan of the Senior Management.

During the reporting period, the Nomination Committee considered and approved the proposals on the Board of Supervisors' appraisal opinions on the duty performance of the Board of Directors and Senior Management in 2018, the Board of Supervisors' appraisal report on the duty performance of Directors and Supervisors in 2018, and the 2018 remuneration for Supervisors.

During the reporting period, the Nomination Committee convened 6 meetings (including 4 on-site meetings and 2 meeting via written resolution), at which it reviewed 10 proposals. The attendance of committee members is as follows:

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
Qiao Zhimin	1	1	0	0
Li Xin	6	6	0	0
Yin Lianchen	6	4	2	0
Wu Gaolian	6	6	0	0
Wang Zhe	6	5	1	0
Xu Keshun	1	1	0	0

Note: On 30 July 2019, the First Meeting of the Eighth Session of the Board of Supervisors of the Bank considered and approved the proposal on the composition of special committees under the Eighth Session of the Board of Supervisors, and elected Mr. Qiao Zhimin, Mr. Li Xin, Mr. Yin Lianchen, Mr. Wu Gaolian, Mr. Wang Zhe and Mr. Xu Keshun as members of the Nomination Committee of the Eighth Session of the Board of Supervisors.

2. Supervision Committee

As of the end of the reporting period, the members of the Supervision Committee included Mr. Wu Gaolian (Chairman), Mr. Wu Junhao, Mr. Wang Zhe, Mr. Qiao Zhimin, Mr. Sun Jianwei and Mr. Shang Wencheng.

Primary duties of the Supervision Committee include: developing the plan for supervising the Bank's operation and decision-making, risk management and internal control, and being responsible for the implementation of this plan after it is approved by the Board of Supervisors; developing the plan for supervising the financial activities of the Bank, and being responsible for the implementation of this plan after it is approved by the Board of Supervisors; supervising the Board of Directors in building up the concept of prudent business operation and the principles of value for the Bank and in formulating the development strategy that works best for the Bank; keeping itself informed of the preparation of the regular reports by the Board of Directors and relevant material adjustments and reporting the same to the Board of Supervisors; maintaining good communication with relevant special committees of the Board of Directors, relevant departments of the Bank and external intermediaries, and providing supervision recommendations on the Bank's appointment of its external auditors when the Committee deems it necessary.

During the reporting period, the Supervision Committee of the Board of Supervisors considered and approved regular reports of the Bank, internal control assessment report, etc.

During the reporting period, the Nomination Committee convened 4 meetings (including 2 on-site meetings and 2 meeting via written resolution), at which it reviewed 6 proposals. The attendance of committee members is as follows:

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
Wu Gaolian	4	4	0	0
Wu Junhao	4	2	2	0
Wang Zhe	4	3	1	0
Qiao Zhimin	1	1	0	0
Sun Jianwei	2	2	0	0
Shang Wencheng	2	2	0	0

Note: On 30 July 2019, the First Meeting of the Eighth Session of the Board of Supervisors of the Bank considered and approved the proposal on the composition of special committees under the Eighth Session of the Board of Supervisors, and elected Mr. Wu Gaolian, Mr. Wu Junhao, Mr. Wang Zhe, Mr. Qiao Zhimin, Mr. Sun Jianwei and Mr. Shang Wencheng as members of the Supervision Committee of the Eighth Session of the Board of Supervisors.

Corporate Governance

vi. Supervision by the Board of Supervisors

The Board of Supervisors had no objection to the supervision matters during the reporting period.

IX. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted the standards set out in the *Model Code* in the Appendix 10 to the *Hong Kong Listing Rules* as the code of conduct to govern the securities transactions by Directors and Supervisors of the Bank. Having been enquired by the Bank, all Directors and Supervisors confirmed that they had always complied with the *Model Code* for the year ended 31 December 2019. The Bank has also formulated guidelines regarding the dealing of the Bank's securities by relevant employees and the guidelines are no less lenient than the *Model Code*. It has not come to the attention of the Bank that any employee was in violation of the guidelines during the reporting period.

X. SENIOR MANAGEMENT

As of the end of the reporting period, the Senior Management of the Bank consisted of 8 members, who are responsible for the operation and management of the Bank: implementing the resolutions of the Board of Directors, the strategic plans, the business plans and investment plans approved by the Board of Directors, developing plans for setting up internal managerial bodies and the basic management rules and regulations, and formulating specific administrative measures.

During the reporting period, the Senior Management, in accordance with the development strategy of the Bank, earnestly implemented the business plan and the financial budget determined by the Board of Directors, focused on key businesses, improved its capability for high-quality development, and accelerated the transformation through the strategy of "agility, technology, eco-sphere". Through these efforts, it achieved the development targets set at the beginning of year, made new progress in operational management, and realized remarkable improvement in operating results.

XI. ESTABLISHMENT AND IMPLEMENTATION OF ASSESSMENT AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT

The Remuneration Committee of the Board of Directors is responsible for drafting the remuneration management policies for the Senior Management, reviewing the duty performance of the Senior Management, proposing suggestions on the remuneration plans for the Senior Management and submitting them to the Board of Directors for approval. During the reporting period, the Remuneration Committee considered and approved the *Comprehensive Evaluation Measures and Remuneration Management Measures for the Senior Management (Tentative)*, and the previous *Provisional Measures on Performance Assessment of Senior Management* became invalid. It also listened to the work reports of the Senior Management, studied the 2018 performance evaluation result of each Senior Management member and proposed the remuneration plan, which was considered and approved by the Board of Directors before implementation.

XII. TRAINING OF DIRECTORS AND SUPERVISORS

During the reporting period, some Directors participated in special training on corporate governance organized by CBIRC and the special training for directors of listed companies under the jurisdiction of Beijing organized by the Beijing Association for Public Companies. Some Supervisors participated in the special training for supervisors held by CSRC Beijing Office and the special training for supervisors of China Everbright Group. Legal advisor of the Board of Directors and auditor of the Bank gave the Directors and Supervisors special lectures on the regulatory provisions for listing in Hong Kong, AML regulation situation and other themes.

The participation by the Bank's Directors and Supervisors in the training programs on corporate governance, policies, laws and regulations, and business operation and management, complied with Provision A.6.5 of Appendix 14 of the *Hong Kong Listing Rules*.

XIII. AUDITOR'S REMUNERATION

Please refer to "Significant Events" of this Annual Report for details.

XIV. INFORMATION DISCLOSURE

During the reporting period, the Bank, as a company listed in both Shanghai and Hong Kong, abided by relevant regulatory requirements for information disclosure, established and improved the information disclosure rules, and continuously strengthened the management of insiders, thus ensuring that the information disclosed was true, accurate and complete. The Bank properly completed the preparation and disclosure of the 2018 Annual Report, the 2019 Half-year Report (Interim Report) and Quarterly Reports. During the year, the Bank published 116 A-share ad hoc announcements (including online non-announcement documents) and 127 H-share ad hoc announcements (including A-share overseas regulatory announcements). Pursuant to the requirements on the issuance of POWL by the Japanese securities regulator, the Bank proactively disclosed information on H-shares so as to satisfy the information disclosure requirements of Japanese market.

XV. INVESTOR RELATIONSHIP

During the reporting period, the Bank actively managed investor relationships through various activities so as to enhance its communication with investors. Specifically, it held the 2018 financial results (A+H shares) announcement via video conference in Beijing and Hong Kong, the 2019 interim results announcement via teleconference in Beijing, the 2019 first quarterly road show in Beijing and Shanghai, and the wealth management subsidiary open day in Qingdao. Besides, the Bank arranged 35 visits and on-site surveys for 374 domestic and overseas investors and analysts. The Bank's delegations participated in 33 investment strategy seminars for investors organized by securities brokerages and communicated with 336 investors. Additionally, it answered over 280 phone calls from domestic and overseas investors and replied over 170 emails for inquiry. It interacted with investors via interactive online platforms such as "SSE e-interaction", and updated the contents of the Bank's website in both Chinese and English versions in a timely manner to inform investors about the Bank. Also, it actively communicated with minority shareholders attending the shareholders' general meetings to answer their questions.

Corporate Governance

XVI. COMPANY SECRETARY AND ASSISTANT TO COMPANY SECRETARY UNDER THE HONG KONG LISTING RULES

As of the disclosure date of this Report, Mr. Li Jiayan served as the Secretary to the Board of the Bank and the Company Secretary under the *Hong Kong Listing Rules*, and Ms. Lee Mei Yi (Tricor Services Limited) acted as the Assistant to Company Secretary. Mr. Li Jiayan was the main contact person of the Bank. During the reporting period, Mr. Li Jiayan and Ms. Lee Mei Yi had participated in relevant vocational training for no less than 15 hours in compliance with Rule 3.29 of the *Hong Kong Listing Rules*.

XVII. SHAREHOLDERS' RIGHTS

- i. Shareholders who individually or jointly hold more than ten percent of the voting shares of the Bank shall have the right to request the Board of Directors to convene an extraordinary general meeting. Such request shall be made in writing to the Board of Directors.
- ii. Shareholders who individually or jointly hold more than three percent of voting shares of the Bank may provide an interim proposal and submit it in writing to the Board of Directors 12 trading days before the shareholders' general meeting is convened. The Board of Directors shall issue a supplementary notice for the shareholders' general meeting within two days upon receipt of the proposal and submit such proposal to the shareholders' general meeting for approval.
- iii. An extraordinary Board meeting shall be convened and presided over by the Chairman within ten days since it is proposed by the shareholders who individually or jointly hold more than ten percent of the voting shares of the Bank.
- iv. Unless there are specified provisions regarding the rights of the holders of preference shares in laws, regulations, rules, regulatory documents and the *Articles of Association* of the Bank, all the shareholders of the Bank shall have the following rights:
 1. Collecting dividends and other forms of benefits distributed on the basis of the number of shares held by them;
 2. Attending or entrusting proxy to attend meetings of shareholders and exercise the voting rights;
 3. Supervising business operation of the Bank and putting forward recommendations or inquiries accordingly;
 4. Transferring shares in accordance with laws, regulations, rules, regulatory documents, relevant regulations of the securities regulatory authority of the jurisdiction where shares of the Bank are listed and the *Articles of Association* of the Bank;
 5. Obtaining relevant information according to the *Articles of Association* of the Bank, including the Bank's financial and accounting statements; status of share capital of the Bank; minutes of the shareholders' general meetings, resolutions of meetings of Board of Directors and resolutions of meetings of the Board of Supervisors, etc.;
 6. Participating in the distribution of the Bank's remaining assets in proportion to the number of shares held by the shareholders when the Bank is terminated or liquidated.

v. Holders of preference shares of the Bank shall be entitled to the following special rights:

1. Rights to dividends in priority to holders of ordinary shares;
2. Rights to distribution of residual assets of the Bank upon liquidation in priority to holders of ordinary shares;
3. Rights to attend and vote at shareholders' general meetings upon occurrence of prescribed events;
4. Upon occurrence of prescribed events, to have its voting rights restored.

Please refer to the *Articles of Association* of the Bank for more details about shareholders' rights.

As to the contact details for shareholders to communicate with and enquire of the Board, please refer to "Company Profile" of this report.

VIII. STATEMENT OF COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

The Bank has prepared the 2019 H-share financial statements in accordance with the *Banking (Disclosure) Rules* by the Hong Kong Monetary Authority.

IX. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE HONG KONG LISTING RULES

Since its listing on the HKEX, the Bank has applied the principles as stipulated in Appendix 14 to the *Hong Kong Listing Rules (the Corporate Governance Code)*. The Company has fully complied with all the Code provisions during the reporting period.

X. INTERNAL CONTROL ASSESSMENT REPORT

Based on the outcome of the review of material defects in the internal control over financial reporting of the Bank, the Bank, as at the reference date (i.e. 31 December 2019) for the internal control assessment report, had not discovered any material deficiencies in the internal control over financial reporting, and had maintained an effective internal control over financial reporting in accordance with the standards for enterprise internal control in all material aspects.

Based on the outcome of the review of internal control unrelated to financial reporting of the Bank, the Bank, as at the reference date (i.e. 31 December 2019) for the internal control assessment report, had not discovered any material defects in internal control unrelated to financial reporting.

From the reference date of internal control assessment report to the date of release of the internal control assessment report, there was no factor which may affect the assessment conclusion of the effectiveness of internal control.

The full text of the *2019 Internal Control Assessment Report* of the Bank has been published on the websites of SSE, HKEX (in the form of overseas regulatory announcement) and the Bank.

The internal control policy system of the Bank is primarily based on the *Articles of Association* of the Bank and is divided into three tiers including general policy, specific policies and evaluation policies. The policy system covers seven major business lines such as corporate banking, retail banking, financial market, internal control of risk, financial operation, comprehensive management and IT, and covers various aspects including the management of front-line businesses, intermediate and back-office risk control, supervision and evaluation.

Corporate Governance

The Bank further improved its internal control standards, procedures, tools and systems through three phases of internal control and compliance projects, and has established an internal control system with clarified responsibilities, clear procedures and effective control. The first is the organizational system. The Bank continuously improved the layered organizational structure of compliance management, and made clear the organizational structure and division of responsibilities of the Board of Directors, the Senior Management and institutions at all levels. The second is the responsibility system. The Bank clarified the internal control and compliance responsibilities of the internal institutions, streamlined the relationship between responsibilities and rights in business management of the Head Office, branches and institutions, and reasonable divided their responsibilities. The third is the policy system. The Bank adhered to the principle of policy first, strengthened the management of various regulations, and thereby continuously improved the policy environment. The fourth is the monitoring and early warning system. The Bank developed and improved the monitoring and early warning system, and strengthened the off-site monitoring and the handling and tracking of major early warning signals by applying big data. The fifth is the supervision and inspection system. The Bank leveraged the inspection function of the three lines of defense of internal control, and comprehensively strengthened the monitoring of business and management activities through routine supervisory inspections, audit inspections and audit supervision. The sixth is the case prevention system. The Bank continuously improved the organizational structure for case prevention, improved the case prevention policy system, deepened the implementation of responsibilities of the persons/institutions responsible for case prevention, and strictly investigated and punished various violations against rules and regulations. The seventh is the evaluation and assessment system. The Bank formulated a scientific and reasonable evaluation and assessment mechanism, guided the whole bank to strengthen internal control building and adhere to compliance operation, and hence improved the effectiveness of internal control and compliance management. The eighth is the education and training system. Through continuously strengthening compliance publicity, the Bank introduced the concepts of “compliance creates value”, “compliance starts from senior executives” and “compliance is everyone’s responsibility” and made them take root among the whole staff.

Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Please refer to the “Discussion and Analysis on the Operations” for details of information relevant to the risk management system of the Bank and work during the reporting period.

The Board of Directors of the Bank is responsible for the risk management and internal control system of the Bank, and periodically reviews and assesses the corporate governance, risk management and internal control of the Bank. The Board of Directors deems that the system of corporate governance, risk management and internal control of the Bank is sufficient and effective during the reporting period.

XXI. AUDIT REPORT ON INTERNAL CONTROL

EY Hua Ming audited the internal control of the Bank and issued an audit opinion. As of 31 December 2019, the *Bank maintained an effective internal control* over financial reporting in all material aspects in accordance with the Basic Standard for Enterprise Internal Control and relevant regulations. The full text of the audit opinion has been published on the websites of SSE, HKEX (in the form of overseas regulatory announcement) and the Bank.

XXII. MAJOR CHANGES IN THE ARTICLES OF ASSOCIATION OF THE BANK DURING THE REPORTING PERIOD

In December 2018, the Bank revised the *Articles of Association* in accordance with the regulatory rules such as the *Interim Measures for Equity Management of Commercial Banks* (Decree No.1 of CBRC in 2018) and work needs. Relevant proposal was considered and approved by the Second Extraordinary Shareholders' General Meeting for the year of 2018 convened on 21 December 2018 and took effect after being approved by CBIRC on 11 July 2019.

In February 2019, due to changes in shares and requirements for relevant industrial and commercial registration, the Bank decided to change its registered capital and revised relevant provisions in the Articles of Association accordingly. Relevant proposal was reviewed and approved at the 2019 First Extraordinary General Meeting held on 27 February 2019, and the revised *Articles of Association* will take effect after being approved by CBIRC.

The revisions to the *Articles of Association* of the Bank and the full text of the *Articles of Association* have been published on the websites of SSE, HKEX and the Bank.

七彩阳光 光彩生活



阳光惠系列
主要投资债券类资产

阳光红系列
主要投资权益类资产

阳光智系列
主要投资另类资产

阳光富系列
主要投资私募股权类资产

阳光绿系列
主要投资绿色类资产

阳光青系列
主要投资另类资产

阳光家系列
主要投资结构化类资产



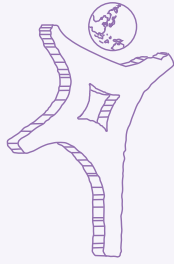
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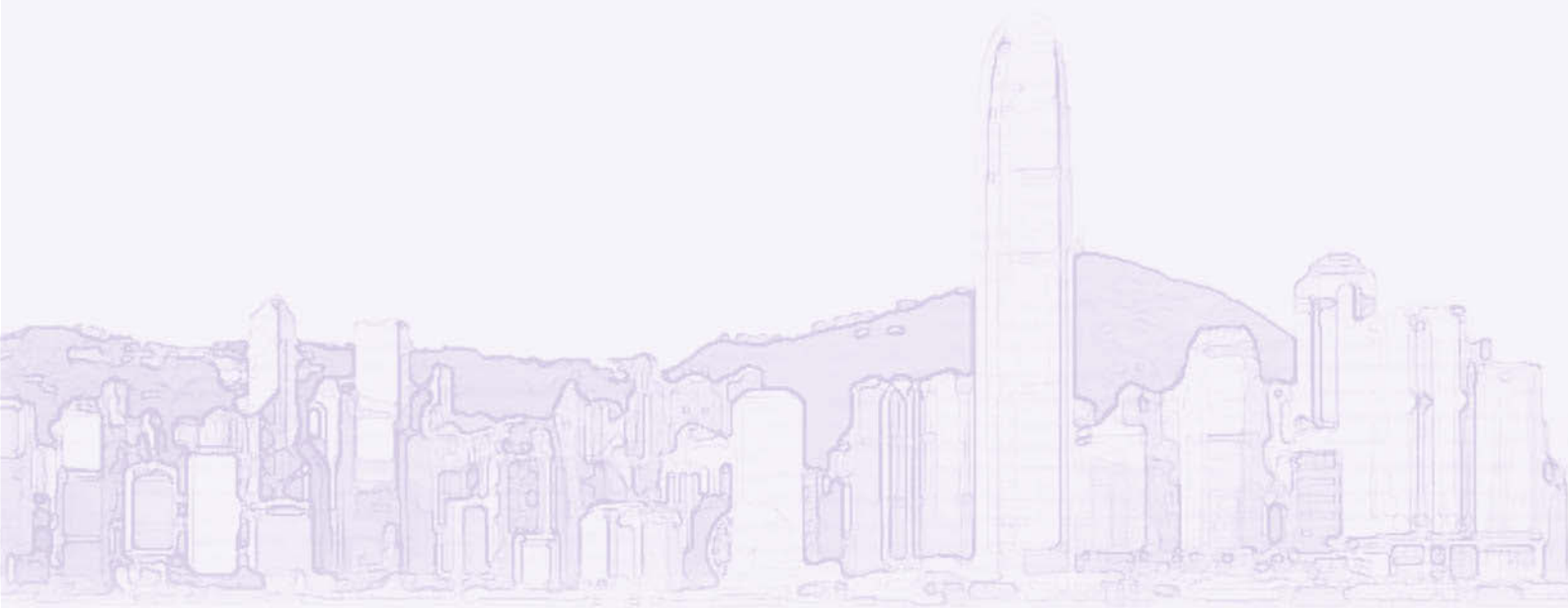
光大银行阳光理财

风险提示：理财非存款，产品有风险，投资须谨慎。
*详细中国光大银行各营业网点或登录网上银行、手机银行查询。

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Independent Auditor's Report

To the shareholders of China Everbright Bank Company Limited
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Everbright Bank Company Limited (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of loans and advances to customers</i>	
<p>The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none"> • Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans with longer remaining periods to maturity; • Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions; • Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact to expected credit losses under multiple economic scenarios given different weights; and • Individual impairment assessment – Identifying credit impaired loans requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. 	<p>We evaluated and tested the effectiveness of the design and implementation of key controls related to the credit approval process, post approval credit management, loan rating system, collateral monitoring and loan impairment assessment, including relevant data quality and information systems.</p> <p>We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information.</p> <p>With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:</p> <ol style="list-style-type: none"> 1. Expected credit loss model: <ul style="list-style-type: none"> • Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and any significant increase in credit risk; • Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios; and • Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.
<p>Since loan impairment assessment involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2019, gross loans and advances to customers amounted to RMB2,720.364 billion, representing 57.47% of total assets, and impairment allowance for loans and advances to customers amounted to RMB76.666 billion), impairment of loans and advances is considered a key audit matter.</p>	
<p>Relevant disclosures are included in Note III 1, Note V 17 and Note V 51(a) to the consolidated financial statements.</p>	

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of loans and advances to customers (continued)</i>	<p>2. Design and operating effectiveness of key controls:</p> <ul style="list-style-type: none"> • Evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, impairment system computational logic, as well as inputs, outputs and interfaces among relevant systems; and • Evaluated and tested key controls over the expected credit loss models, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.
	<p>We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance.</p>

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of financial instruments</i>	
<p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.</p>	<p>We assessed and tested the design and operating effectiveness of key controls related to valuation of financial instruments, including relevant data quality and IT systems involved.</p>
<p>As at 31 December 2019, financial assets and financial liabilities measured at fair value amounted to RMB496.460 billion and RMB13.993 billion respectively, representing 10.49% and 0.32% of total assets and total liabilities respectively. Financial instruments which required either direct (i.e. prices) or indirect (i.e. derived from prices) inputs, hence categorised within Level 2 of the fair value hierarchy, represented 56.14% of total financial assets measured at fair value; and financial instruments which required significant unobservable inputs, hence categorised within Level 3 of the fair value hierarchy, represented 0.93% of total financial assets measured at fair value. Due to the significance of financial instruments measured at fair value, and the uncertainty in valuation, this is considered a key audit matter.</p>	<p>We evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p>
<p>Relevant disclosures are included in Note III 2 and Note V 52 to the consolidated financial statements.</p>	<p>We assessed and tested the design and operating effectiveness of the Group's controls related to disclosures of fair value. We also assessed whether relevant fair value and sensitivity disclosures in the financial statements adequately presented the risk of the Group.</p>

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Consolidation assessment of, and disclosures about, structured entities</i>	
<p>The Group has established various structured entities, such as bank wealth management products, funds, trust plans, in conducting asset management business and investments. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over them through taking into consideration the power arising from rights, variable returns, and the link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgement and estimation such as the purpose and design of structured entities, its ability to direct relevant activities, interests it holds directly or indirectly, the performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc. The comprehensive analysis of these factors and the conclusion of whether the Group has control involve significant management judgement and estimation. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, this is considered a key audit matter.</p> <p>Relevant disclosures are included in Note III 6 and Note V 44 to the consolidated financial statements.</p>	<p>We assessed and tested the design and operating effectiveness of the key controls relating to the Group's assessment of whether it controls structured entities.</p> <p>We assessed the Group's analysis and conclusions on whether or not it controls structured entities by reviewing relevant term sheets to analyse whether the Group has the obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group had provided liquidity support or credit enhancement to structured entities, as well as fairness of transactions between the Group and structured entities.</p> <p>Furthermore, we assessed and tested the design and operating effectiveness of the Group's controls over its unconsolidated structured entities.</p>

OTHER INFORMATION INCLUDED IN THE BANK'S 2019 ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2019	2018 (Restated)
Interest income		210,044	185,688
Interest expense		(108,126)	(107,524)
Net interest income	1	101,918	78,164
Fee and commission income		25,977	22,431
Fee and commission expense		(2,808)	(2,658)
Net fee and commission income	2	23,169	19,773
Net trading gains	3	585	1,071
Dividend income		42	8
Net gains arising from investment securities	4	4,900	9,862
Net foreign exchange gains		1,339	724
Other net operating income		986	784
Operating income		132,939	110,386
Operating expenses	5	(38,429)	(33,706)
Operating profit before impairment		94,510	76,680
Credit impairment losses	8	(48,965)	(35,744)
Other impairment losses	9	(382)	(84)
Profit before tax		45,163	40,852
Income tax	10	(7,722)	(7,131)
Net profit		37,441	33,721
Net profit attributable to:			
Equity shareholders of the Bank		37,354	33,659
Non-controlling interests		87	62
		37,441	33,721
Earnings per share			
Basic earnings per share (in RMB/share)	11	0.68	0.61
Diluted earnings per share (in RMB/share)	11	0.62	0.55

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	2019	2018
Net profit		37,441	33,721
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss:			
– Remeasurement of supplementary retirement benefits		(180)	(102)
– Equity instruments at fair value through other comprehensive income			
– Net change in fair value		6	3
– Related income tax effect	24(b)	(2)	(1)
Subtotal		(176)	(100)
Items that will be reclassified to profit or loss:			
– Debt instruments at fair value through other comprehensive income			
– Net change in fair value		3,158	2,982
– Changes in allowance for expected credit losses		409	(311)
– Reclassified to profit or loss upon disposal		(1,982)	1,095
– Related income tax effect	24(b)	(374)	(957)
– Exchange differences on translation of financial statements		48	67
Subtotal		1,259	2,876
Other comprehensive income, net of tax		1,083	2,776
Total comprehensive income		38,524	36,497
Total comprehensive income attributable to:			
Equity shareholders of the Bank		38,436	36,434
Non-controlling interests		88	63
		38,524	36,497

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	31 December 2019	31 December 2018
Assets			
Cash and deposits with the central bank	12	364,340	366,575
Deposits with banks and other financial institutions	13	31,358	41,005
Precious metals		10,826	23,628
Placements with banks and other financial institutions	14	60,270	96,685
Derivative financial assets	15	13,805	15,212
Financial assets held under resale agreements	16	6,835	37,773
Loans and advances to customers	17	2,644,136	2,361,278
Finance lease receivables	18	83,723	63,333
Financial investments	19	1,433,546	1,301,080
– Financial assets at fair value through profit or loss		211,406	222,737
– Debt instruments at fair value through other comprehensive income		180,005	153,987
– Equity instruments at fair value through other comprehensive income		623	367
– Financial investments measured at amortised cost		1,041,512	923,989
Fixed assets	21	19,342	18,241
Right-of-use assets	22	11,684	–
Goodwill	23	1,281	1,281
Deferred tax assets	24	16,306	10,794
Other assets	25	35,979	20,447
Total assets		4,733,431	4,357,332
Liabilities and equity			
Liabilities			
Due to the central bank	27	224,838	267,193
Deposits from banks and other financial institutions	28	444,320	490,091
Placements from banks and other financial institutions	29	166,225	152,037
Financial liabilities at fair value through profit or loss	30	100	354
Derivative financial liabilities	15	13,893	14,349
Financial assets sold under repurchase agreements	31	25,603	40,411
Deposits from customers	32	3,017,888	2,571,961
Accrued staff costs	33	8,007	8,028
Taxes payable	34	9,322	5,666
Lease liabilities	35	11,069	–
Debt securities issued	36	371,904	440,449
Other liabilities	37	54,208	44,320
Total liabilities		4,347,377	4,034,859

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	Note V	31 December 2019	31 December 2018
Equity			
Share capital	38	52,489	52,489
Other equity instruments	39	70,067	35,108
of which: preference shares		64,906	29,947
Capital reserve	40	53,533	53,533
Other comprehensive income	41	2,737	1,655
Surplus reserve	42	26,245	24,371
General reserve	42	59,417	54,036
Retained earnings		120,494	100,296
Total equity attributable to equity shareholders of the Bank		384,982	321,488
Non-controlling interests		1,072	985
Total equity		386,054	322,473
Total liabilities and equity		4,733,431	4,357,332

Approved and authorised for issue by the board of directors on 27 March 2020.

Li Xiaopeng
Chairman of the Board of Directors,
Non-executive Director

Liu Jin
President
Executive Director

Yao Zhongyou
Vice President in Charge of Finance

Sun Xinhong
General Manager of Financial Accounting Department

The notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

2019	Note V	Attributable to equity shareholders of the Bank										
		Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
			Preference shares	Others								
Balance at 1 January 2019		52,489	29,947	5,161	53,533	1,655	24,371	54,036	100,296	321,488	985	322,473
Changes in equity for the year:												
Net profit		-	-	-	-	-	-	-	37,354	37,354	87	37,441
Other comprehensive income	41	-	-	-	-	1,082	-	-	-	1,082	1	1,083
Capital contribution by other equity instrument holders		-	34,959	-	-	-	-	-	-	34,959	-	34,959
Appropriation of profit:	43											
- Appropriation to surplus reserve		-	-	-	-	-	1,874	-	(1,874)	-	-	-
- Appropriation to general reserve		-	-	-	-	-	-	5,381	(5,381)	-	-	-
- Dividends to ordinary shareholders		-	-	-	-	-	-	-	(8,451)	(8,451)	(1)	(8,452)
- Dividends to preference shareholders		-	-	-	-	-	-	-	(1,450)	(1,450)	-	(1,450)
Balance at 31 December 2019		52,489	64,906	5,161	53,533	2,737	26,245	59,417	120,494	384,982	1,072	386,054

2018	Note V	Attributable to equity shareholders of the Bank										
		Share capital	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
			Preference shares	Others								
Balance at 31 December 2017		52,489	29,947	5,161	53,533	(1,845)	21,054	52,257	92,164	304,760	676	305,436
Impact of adopting new Standards		-	-	-	-	725	-	-	(9,480)	(8,755)	(16)	(8,771)
Balance at 1 January 2018		52,489	29,947	5,161	53,533	(1,120)	21,054	52,257	82,684	296,005	660	296,665
Changes in equity for the year:												
Net profit		-	-	-	-	-	-	-	33,659	33,659	62	33,721
Other comprehensive income	41	-	-	-	-	2,775	-	-	-	2,775	1	2,776
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	-	265	265
Appropriation of profit:	43											
- Appropriation to surplus reserve		-	-	-	-	-	3,317	-	(3,317)	-	-	-
- Appropriation to general reserve		-	-	-	-	-	-	1,779	(1,779)	-	-	-
- Dividends to ordinary shareholders		-	-	-	-	-	-	-	(9,501)	(9,501)	(3)	(9,504)
- Dividends to preference shareholders		-	-	-	-	-	-	-	(1,450)	(1,450)	-	(1,450)
Balance at 31 December 2018		52,489	29,947	5,161	53,533	1,655	24,371	54,036	100,296	321,488	985	322,473

The notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	2019	2018
Cash flows from operating activities		
Net profit	37,441	33,721
<i>Adjustments for</i>		
Impairment losses on assets	49,347	35,828
Depreciation and amortisation	4,664	2,164
Unwinding of discount	(828)	(792)
Dividend income	(42)	(8)
Unrealised foreign exchange gains	(112)	(400)
Net gains on investment securities	(54,654)	(55,661)
Net gains on disposal of trading securities	(1,021)	(922)
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	2,162	(22)
Interest expense on debt securities issued	15,221	18,234
Interest expense on lease liabilities	489	–
Net losses on disposal of fixed assets	25	15
Income tax	7,722	7,131
	60,414	39,288
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with the central bank, banks and other financial Institutions	(42,733)	53,454
Net decrease in placements with banks and other financial institutions	20,549	29,391
Net (increase)/decrease in financial assets held for trading	(6,928)	14,954
Net increase in loans and advances to customers	(331,235)	(416,007)
Net decrease in financial assets held under resale agreements	30,913	53,700
Net increase in other operating assets	(35,775)	(8,000)
	(365,209)	(272,508)
<i>Changes in operating liabilities</i>		
Net decrease in deposits from banks and other financial institutions	(45,587)	(90,295)
Net increase in placements from banks and other financial institutions	13,820	44,491
Net decrease in financial assets sold under repurchase agreements	(14,793)	(5,182)
Net (decrease)/increase in amount due to the central bank	(41,570)	30,550
Net increase in deposits from customers	446,317	266,043
Income tax paid	(10,239)	(8,200)
Net increase in other operating liabilities	21,947	15,327
	369,895	252,734
Net cash flows from operating activities	65,100	19,514
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	637,019	376,114
Investment income received	59,415	49,386
Proceeds from disposal of fixed assets and other long-term assets	305	375
Payments on acquisition of investments	(766,714)	(366,047)
Payments on acquisition of fixed assets, intangible assets and other long-term assets	(4,448)	(4,063)
Net cash flows from investing activities	(74,423)	55,765

The notes form an integral part of these consolidated financial statements.

	Note V	2019	2018
Cash flows from financing activities			
Capital injected into subsidiaries by non-controlling shareholders		–	265
Proceeds from issuance of preference shares		34,959	–
Repayments of debts issued		(68,034)	(8,615)
Interest paid on debt securities issued		(15,732)	(18,141)
Dividends paid		(9,902)	(10,953)
Other net cash flows from financing activities		(2,744)	–
Net cash flows from financing activities		(61,453)	(37,444)
Effect of foreign exchange rate changes on cash and cash equivalents		595	1,922
Net (decrease)/increase in cash and cash equivalents	47(a)	(70,181)	39,757
Cash and cash equivalents as at 1 January		187,680	147,923
Cash and cash equivalents as at 31 December	47(b)	117,499	187,680
Interest received		161,077	163,589
Interest paid (excluding interest expense on debt securities issued)		(93,880)	(84,763)

The notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

I BACKGROUND INFORMATION

China Everbright Bank Company Limited (the “Bank”) commenced its operations in Beijing, the People’s Republic of China (the “PRC”) on 18 August 1992. The A-shares and H-shares of the Bank were listed on the Shanghai Stock Exchange in August 2010 and The Stock Exchange of Hong Kong Limited in December 2013 respectively.

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the “CBIRC”), formerly the China Banking Regulatory Commission, No. B0007H111000001 and is issued the business licence of legal enterprise No. 91110000100011743X by the State Administration of Industry and Commerce of the PRC. The registered address is No.25, Taipingqiao Ave, Everbright Center, Xicheng District, Beijing, People’s Republic of China.

The principal activities of the Bank and its subsidiaries (Note V 20) (collectively the “Group”) are the provision of corporate and retail deposits, loans and advances, settlement, treasury business and other financial services as approved by the CBIRC. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC, excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to countries and regions other than Mainland China.

These financial statements have been approved by the Board of Directors on 27 March 2020.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), as well as financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

As a financial institution incorporated in the PRC and listed on the Shanghai Stock Exchange, the Group also prepared its consolidated financial statements for the reporting period in accordance with the “Accounting Standards for Business Enterprises-Basic Standard” issued by the Ministry of Finance of the People’s Republic of China (the “MOF”), as well as additional specific accounting standards, the Application Guide and Interpretations of Accounting Standards and other relevant regulations (collectively known as the “PRC GAAP”). There is no difference in the net profit for the year or total equity as at the end of the year between the Group’s consolidated financial statements prepared under IFRSs and those prepared under PRC GAAP.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

1.1 Standards, amendments and interpretations effective in 2019

On 1 January 2019, the Group adopted the following new standards, amendments and interpretation.

IFRS 16	<i>Leases</i>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
IAS 19 Amendments	<i>Plan Amendment, Curtailment or Settlement</i>
IAS 28 Amendments	<i>Long-term Interests in Associates and Joint Ventures</i>
<i>Annual Improvements to IFRSs 2015-2017 Cycle (issued in December 2017)</i>	

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 and IFRIC 4. Under IFRS 16, the classification of finance leases and operating leases for lessees is removed, and lessees recognise right-of-use assets and lease liabilities for all leases (except short-term leases and lease of low-value assets elected to be accounted for using a practical expedient) and recognise depreciation and interest expense respectively. The Group has adopted IFRS 16 from 1 January 2019 and applied the modified retrospective approach without restating comparative figures. The Group has not reassessed the existing contracts before 1 January 2019 (date of initial application) and has used practical expedients. As a lessee, the Group has elected to exercise the recognition exemption not to recognise the right-of-use assets and lease liabilities for the leases of which the underlying assets are of low value or for which the contract would end within 12 months from the date of initial application, and has recognised the profit or loss on a straight-line basis over the lease term. Therefore, the financial information for the year ended 31 December 2019 related to leasing presented on the financial information is not comparable with the comparative financial information presented in the 2018 financial statements in accordance with the former lease standards.

For the minimum lease payment for the operating leases disclosed in the financial statements of 2018, the Group used its incremental borrowing interest rate on 1 January 2019 to discount the lease payment. The reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is as follows:

Minimum lease payment for operating leases as at 31 December 2018	12,079
Less: Minimum lease payment with recognition exemption – short-term leases	(112)
Add: Minimum lease payment rising from reasonably exercising an option to extend the lease and others	1,206
Less: The impact of lease payment discounted at incremental borrowing interest rate as at 1 January 2019	(2,131)
Lease liabilities as at 1 January 2019	11,042
Right-of-use assets as at 1 January 2019	11,829

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation mainly addresses the following four areas: whether an entity separately considers the uncertainty of tax treatments; assumptions adopted by an entity to address the examination of tax treatments by taxation authorities; how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

1.1 Standards, amendments and interpretations effective in 2019 (continued)

IAS 19 Amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for “significant market fluctuations” in the absence of a plan amendment, curtailment or settlement.

IAS 28 Amendments clarify that an entity applies IFRS 9 *Financial Instruments* (“IFRS 9”) to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Entities must apply the amendments retrospectively, with certain exceptions.

Annual Improvements to IFRSs 2015-2017 Cycle was issued in December 2017. Those amendments affect IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The adoption of the above standards, amendments and interpretation does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2019

		Effective for annual periods beginning on or after
IFRS 3 Amendments	<i>Definition of a Business</i>	1 January 2020
IAS 1 and IAS 8 Amendments	<i>Definition of Material</i>	1 January 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	<i>Interest Rate Benchmark Reform</i>	1 January 2020
IFRS 17	<i>Insurance Contracts</i>	1 January 2021
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1 Basis of preparation (continued)

1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2019 (continued)

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate (“RFR”), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

IFRS 17 *Insurance Contracts* replaces IFRS 4 *Insurance Contracts*. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 covers the recognition, measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture.

The above standards, amendments and interpretations does not have any significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2 Consolidation

Subsidiaries are all entities (including corporates, divided parts of associates, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If changes in facts and circumstances result in changes in elements involved in the definition of control, the Group will re-evaluate whether it still has control over subsidiaries.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries.

3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

4 Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statement of profit or loss, and other changes in the carrying amount are recognised in “Other comprehensive income”. Translation differences on all other monetary assets and liabilities are recognised in the statement of profit or loss.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in “Other comprehensive income”. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as “Net trading gains” in the statement of profit or loss.

Assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the end of the year. Equity items, excluding “Retained Earnings”, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in shareholders' equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

5.1 Recognition and de-recognition of financial instruments

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- (1) the contractual rights to the cash flows from the financial asset expire; or
- (2) the contractual rights to the cash flows from the financial asset are transferred, or the Group undertake the obligation to pay the cash flow collected to a third party in full and on time under the “pass-through agreement” and the Group (a) transfers substantially all the risks and rewards of ownership of the financial assets or (b) where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

The Group recognises and de-recognises financial assets on the trading day when trading financial assets in a conventional way. Trading financial assets in conventional way refers to collecting or delivering financial assets within the time limit prescribed by laws or common practices in accordance with contract provisions. The trading day refers to the date on which the Group undertakes to buy or sell financial assets.

Financial liabilities are de-recognised when they are extinguished that is, when the obligation is discharged or cancelled, or expires. The difference between the carrying amount of the de-recognised financial liability and the consideration paid is recognised in the statement of profit or loss.

5.2 Classification and measurement of financial assets

The Group classifies financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Only if when the Group changes the business model for managing financial assets, the Group shall reclassify the affected financial assets.

For financial assets at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial assets, transaction costs are recognised in the initial measurement.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.2 Classification and measurement of financial assets (continued)

Business models

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The Group's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model is evaluated and reported to the Group's key management personnel; how risks are evaluated and managed; and how managers of the business are compensated.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identify whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The subsequent measurement of financial assets depends on the classification:

Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for such financial assets. The gains or losses from derecognition, amendments or impairment on such financial assets are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.2 Classification and measurement of financial assets (continued)

Debt instruments at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at the fair value through other comprehensive income should be recognised in “other comprehensive income”, except for interests calculated using effective interest method and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss.

Equity instruments at fair value through other comprehensive income

The Group has irrevocably designated equity instruments that are not held for trading as financial assets at fair value through other comprehensive income. Only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognised in profit or loss, and subsequent changes in fair value are recognised in other comprehensive income without provision for impairment. When financial assets are de-recognised, the accumulated gains or losses previously recognised in other comprehensive income shall be reclassified to retained earnings under equity.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. Such financial assets that the Group holds are subsequently measured at fair value. Gains or losses on such financial assets are recognised in profit or loss unless it is part of a hedging relationship.

Only when accounting mismatch can be eliminated or significantly reduced can financial assets be designated at fair value through profits or losses at initial recognition.

When an entity classified a financial asset as financial assets designated at fair value through profit or loss, it cannot be reclassified as other financial assets; nor can other financial assets be reclassified as financial assets designated at fair value through profit or loss after initial recognition.

In accordance with the above conditions, the financial assets designated at fair value through profit or loss held by the Group mainly include fixed interest rate personal mortgage loans for which the Group used interest rate swap to manage the associated interest rate risk.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.3 Classification and measurement of financial liabilities

The Group classifies financial liabilities as at fair value through profit or loss, other financial liabilities or designated as effective hedging instruments at initial recognition. For financial liabilities at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial liabilities, transaction costs are recognised in the initial measurement.

The subsequent measurement of financial liabilities depends on the classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, includes financial liabilities held for trading (including derivative financial instruments) and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities held for trading (including derivative financial instruments) are subsequently measured at the fair value. A gain or loss on such financial liability is recognized in profit or loss, unless it is part of hedging relationship. Financial liabilities designated at fair value through profit or loss are subsequently measured at the fair value. A gain or loss on such financial liability is recognized in profit or loss, except that the changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be recognised in other comprehensive income. If the recognition of the impact arising from changes in the financial liabilities' own credit risk in other comprehensive income will create or enlarge the accounting mismatch in profit or loss, the Group shall recognise the entire gain or loss of the financial liabilities (including the impact of changes in its own credit risk) in profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

5.4 Impairment of financial instruments

The Group evaluates and confirms relevant impairment allowance for financial assets measured at amortised cost, debt instrument investments at fair value through other comprehensive income, loan commitments and financial guarantee contracts based on ECL (Note V 51(a)).

5.5 Financial guarantee contracts and loan commitments

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured at fair value at initial recognition. For financial guarantee contracts which are not designated as at fair value through profit or loss subsequently measured at the higher of the expenditure determined by the ECL model that is required to settle any financial obligation arising at the financial reporting date, and the value initially recognised less the accumulated amortisation recognised in accordance with the guidance for revenue recognition.

Loan commitments are commitments provided by the Group to the customers to grant loans under the established contract terms during a certain period. The impairment losses of loan commitments are measured using the ECL model.

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.6 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, for example, to hedge exchange-rate risks and interest rate risks through foreign exchange forward contracts and interest rate swaps, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of these derivatives are recognised in profit or loss unless it is related to hedge accounting.

In terms of the hedge accounting method, the Group's hedge is classified as:

- (1) Fair value hedge, refers to a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (except the exchange rate risk).
- (2) Cash flow hedge, refers to a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or the exchange rate risk contained in an unrecognized definitive commitment.

At the beginning of the hedging relationship, the Group has formally designated the hedging relationship and prepared a formal written document on the hedging relationship, risk management objectives and risk management strategy. The file specifies the hedging instrument, the hedged project, the nature of the hedged risk, and the Group's method for evaluating the effectiveness of the hedging. Hedging effectiveness refers to the degree to which the fair value or cash flow change of the hedging instrument can offset the fair value or cash flow of the hedged item caused by the hedged risk. Such hedging should be continuously evaluated for compliance with hedging effectiveness requirements on the initial designated date and subsequent periods.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the updated risk management objective, or to meet other qualifying criteria for hedging accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

If the condition of the hedge accounting method is satisfied, it should be treated as follows:

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.6 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

Gains or losses arising from hedging instruments are recognized in profit or loss. The gains or losses of the hedged item due to the hedging risk exposure shall be recognized in profit or loss, and the book value of the hedged item not be measured at fair value shall be adjusted at the same time.

For the fair value hedges related to the debt instrument measured at amortized cost, the adjustment of the book value of the hedged item should be amortized by the effective interest rate method during the remaining period of the hedge and recognized in profit or loss. The amortization in accordance with the effective interest rate method may commence immediately after the adjustment of book value and shall not be later than the termination of the adjustment of the hedged item based on the change in fair value caused by the hedging risk. If the hedged item is a debt instrument at fair value through other comprehensive income, the accumulated recognized hedge gains or losses are amortized in the same way and recognized in profit or loss, but the book value of financial assets is not adjusted. If the hedged item is terminated, the unamortized fair value is recognized in profit or loss.

If the hedged item is an unrecognised firm commitment, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

Cash flow hedge

The gain or loss of the hedging instrument that belongs to the effective part should be directly recognized in other comprehensive income, and the ineffective part shall be recognized in profit or loss.

If the hedged forecast transaction subsequently confirmed as a non-financial asset or non-financial liability, or the forecast transaction of a non-financial asset or non-financial liability form a firm commitment for the applicable fair value hedge, cash flow hedge reserve original recognized in other comprehensive income shall be reclassified to the initially amount of the assets and liabilities. The remaining cash flow hedge reserve recognized in other comprehensive income shall be reclassified to profit or loss in the same periods when the hedged future cash flows affect profit or loss, such as the expected sales occur.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, that amount accumulated in the cash flow hedge reserve shall remain in equity until the expected transaction actually occurs or the commitment is confirmed to be fulfilled. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss.

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

5 Financial instruments (continued)

5.7 Convertible corporate bonds

Convertible bonds comprise the liability and equity components. The liability component, representing the obligation to make fixed payments of principal and interest, is classified as a liability and initially recognised at the fair value, calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. The equity component, representing an embedded option to convert the liability into ordinary shares, is initially recognised in “Equity” as the difference between the proceeds received from the convertible bonds as a whole and the amount of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

On conversion of the bonds into shares, the amount transferred to share capital is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the carrying value of the related component of the converted bonds and the amount transferred to Share capital is recognised in capital surplus under “Capital reserve”.

5.8 Transfer of financial assets

If the Group has transferred substantially all the risks and rewards of ownership of financial assets to the transferee, it shall de-recognise the financial assets; if it retains substantially all the risks and rewards of ownership of financial assets, it shall not de-recognise the financial assets.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, it should de-recognise the financial assets and recognise the assets and liabilities that arose; if it does not abandon its control over the financial assets, it shall recognise the relevant financial assets in accordance with the extent to which it continues to be involved in the transferred financial assets, and relevant liabilities are recognised accordingly.

If the Group continues to be involved in the transferred financial assets by providing a financial guarantee, the assets that arose from the continued involvement shall be determined as the lower of the book value of the financial assets and the amount of the financial guarantee. The amount of the financial guarantee refers to the maximum amount that will be required to be repaid among the consideration received.

5.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

6 Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value less costs to sell, and subsequent changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

7 Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the statement of profit or loss over the life of the agreements using the effective interest method.

8 Investment in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note II 2.

In the Bank's financial statements, investments in subsidiaries are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at the actual consideration paid if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (Note II 15) in the statement of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

9 Fixed assets

Fixed assets are assets held by the Group for operation and administration purposes with useful lives over one year.

The Group's fixed assets mainly comprise premises, electronic equipment, aircraft and construction in progress.

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the statement of profit or loss.

9.1 Premises, electronic equipment and others

Fixed assets are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

Asset category	Estimated useful life (years)	Estimated rate of residual value(%)	Depreciation rate (%)
Premises	30-35	3	2.8-3.2
Electronic equipment	3-5	3-5	19.0-32.3
Others	5-10	3-5	9.5-19.4

9.2 Aircraft

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase at an estimated residual value rate of 15%.

9.3 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

10 Leases (applicable from 1 January 2019)

10.1 Lease classification

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

10.2 Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes the periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise the corresponding option.

10.3 As lessee

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

- (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. In calculating the present value of the lease payments after modification, the revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

10 Leases (applicable from 1 January 2019) (continued)

10.3 As lessee (continued)

Lease modification (continued)

For the impact on the adjustments of a lease liability, the Group accounts for the remeasurement by:

- (1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or
- (2) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The incremental borrowing rate of lessee

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of the lease liability and other specific conditions of the lease.

Short-term leases and leases of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of a low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rent is amortised on a straight-line basis in each period of the lease term and included in the statement of profit or loss.

10.4 As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, at the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. In the initial measurement of the finance lease receivable, the Group recognises the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortised on a straight-line basis in each period of the lease term and recognised in the statement of profit or loss, or profit or loss as incurred.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

10 Leases (applicable from 1 January 2019) (continued)

10.5 Right-of-use assets

The right-of-use assets of the Group mainly include buildings, vehicles and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made at or before the commencement date of the lease less any lease incentives received; (3) any initial direct cost incurred when the Group is a lessee; and (4) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, whichever is shorter.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

10.6 Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

11 Leases (applicable for the year ended 31 December 2018)

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

11.1 As lessee under operating leases

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

11.2 As lessor under operating leases

Rental income under an operating lease is recognised as “other net operating income” in the statement of profit or loss on a straight-line basis over the lease term. Contingent rental income is recognised as income in the accounting period in which it is earned.

11.3 As lessor under finance leases

When the Group is a lessor under finance leases, the sum of present value of minimum lease payments receivable from the lessee, and initial direct cost is recognized as a receivable, the unguaranteed residual value is also recorded. The difference between the receivable and the present value of the receivable is recognised as unearned finance income. The Group uses the effective interest method to recognise finance income for the current year.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the end of the year, finance lease receivables, net of unearned finance income, are presented as finance lease receivables in the statement of financial position.

12 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the statement of profit or loss.

The respective amortisation periods for intangible assets are as follows:

Asset category	Estimated useful lives (years)
Computer software	5
Others	5-10

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

13 Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control. Goodwill is not amortised and is stated at cost less accumulated impairment loss (Note II 15). On disposal of the related cash-generating unit ("CGU") or group of CGUs, any attributable amount of purchased goodwill is written off and included in the calculation of profit or loss on disposal.

14 Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets should be recorded at the fair value of the abandoned creditor's rights, and the relevant expenses payable for obtaining the repossessed assets should be included in the book value of the repossessed assets. When there is an indication that the net realizable value of the repossessed assets is lower than the book value, the Group will reduce the book value to the net realizable value.

15 Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the year based on the internal and external sources of information to determine whether there is any indication of impairment: fixed assets, right-of-use assets, construction in progress, intangible assets, goodwill and investments in subsidiaries.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at no later than each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to the CGU, or group of CGUs, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

If there is indication of impairment when testing for asset group or group of asset groups with goodwill for impairment, the Group shall first test the asset group or group of asset groups excluding goodwill for impairment and recognised the impairment loss in the income statement. Then the Group shall test the asset group or group of asset groups including goodwill for impairment, by comparing the carrying amount with its recoverable amount. Any impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or group of asset groups first and then pro rata on the basis of carrying amount of each of the asset group or group of asset groups (excluding goodwill).

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

15 Provision for impairment losses on non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for an impairment loss of the asset is recognised accordingly.

For the purpose of goodwill impairment testing, goodwill arising from business combination is allocated to asset group since the acquisition date. If it cannot be reliably allocated to an asset group, it should be allocated to the relevant group of asset groups. The asset group or group of asset groups is expected to benefit from the synergies of the business combination and is not larger than a segment as defined by the Group.

16 Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

16.1 Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

16 Employee benefits (continued)

16.2 Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group and its employees are required to contribute a certain percentage of the employees’ previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

16.3 Termination benefits

Termination benefits are payable as a result of either the Group’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment. The Group recognises termination benefits in profit or loss at the earlier of:

- When the Group can no longer withdraw an offer of those benefits; and
- When the Group has a specific, formal restructuring plan involving payment of termination benefits, and the plan has started or the details of the plan have been notified to each affected party, so that each party has developed reasonable expectations.

16.4 Early retirement benefits

According to the Group’s policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when it is incurred.

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

17 Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

18 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

19 Other equity instruments-preference shares

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms of the contract, the economic substance and the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy for the convertible bonds with liability component only.

The issued preference shares that should be classified as equity instruments will be recognised as equity in the actual amount received. Dividends payables are recognised as distribution of profits. Equity will be written down by the redemption price for any redemptions made before maturing in accordance with contractual terms.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

20 Income recognition

The income should be recognized when the group's performance obligation in the contract is fulfilled, which refers the revenue is recognized when the customer obtains the control right of relevant goods or services. To obtain the right of control over related goods or services means to be able to dominate the use of such goods or the provision of such services and obtain almost all economic benefits therefrom.

20.1 Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

For the purchased or originated credit-impaired financial assets, the Group calculates the interest income according to the amortised cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortised cost and the effective interest rate of the financial assets.

20.2 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

20.3 Other income

Other income is recognised on an accrual basis.

21 Expenses recognition

21.1 Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

21.2 Other expenses

Other expenses are recognised on an accrual basis.

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II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

22 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

23 Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised by the Group and declared after the end of the reporting year are not recognised as a liability at the end of the year but disclosed separately in the notes to the financial statements.

24 Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

25 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Any segments which do not comply with the reporting of segments by division of quantities are reported at consolidation level.

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III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1 Impairment losses on financial assets

The Group follows IFRS 9 to measure impairment losses of all financial assets. In this process, there are many estimates and judgements, especially the determination of the amount of impairment losses, the estimation of future contract cash flows, the value of collateral, and the criteria for judging a significant increase in credit risk. The Group's impairment measurement is impacted by many factors, which will lead to different levels of allowance for impairment.

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs. The accounting judgements and estimates used in the expected credit loss model include:

- criteria for judging a significant increase in credit risk
- definition of credit impaired assets
- parameters for the measurement of ECL
- forward-looking information
- modification of contractual cash flows

2 Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

3 Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

4 Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and the discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

5 Depreciation and amortisation

Fixed assets and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

6 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes into consideration the power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have the obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

Notes to the Consolidated Financial Statements

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IV TAXATION

The Group's main applicable taxes and tax rates are as follows:

- (a) Value-added tax: value-added tax is charged at 6%,13%,or 16% on taxable added value.
- (b) City construction tax: city construction tax is calculated as 1%-7% of business tax.
- (c) Education surcharge: education surcharge is calculated as 3% of business tax.
- (d) Income tax: the income tax is calculated on taxable income. The statutory income tax rate of the Bank and domestic subsidiaries is 25%. The statutory income tax rate of CEB International Investment Co., Ltd., the Hong Kong subsidiary, is 16.5%. The statutory income tax rate of China Everbright Bank Company Limited (Europe) ("China Everbright S A."), the Luxembourg subsidiary, is 19%.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net interest income

	Note	2019	2018 (Restated)
Interest income arising from			
Deposits with the central bank		5,020	5,100
Deposits with banks and other financial institutions		1,470	858
Placements with banks and other financial institutions		3,208	6,571
Loans and advances to customers	(a)		
– Corporate loans and advances		70,854	61,585
– Personal loans and advances		72,578	59,247
– Discounted bills		2,020	1,276
Finance lease receivables		4,444	3,379
Financial assets held under resale agreements		2,377	1,802
Investments		48,073	45,870
Subtotal		210,044	185,688
Interest expenses arising from			
Due to the central bank		8,012	8,481
Deposits from banks and other financial institutions		12,712	22,866
Placements from banks and other financial institutions		6,520	5,793
Deposits from customers			
– Corporate customers		47,074	39,161
– Individual customers		16,880	11,865
Financial assets sold under repurchase agreements		1,707	1,124
Debt securities issued		15,221	18,234
Subtotal		108,126	107,524
Net interest income		101,918	78,164

Note:

- (a) The interest income arising from impaired financial assets amounted to RMB828 million for the year ended 31 December 2019 (2018: RMB792 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Net fee and commission income

	2019	2018 (Restated)
Fee and commission income		
Bank card service fees	14,163	11,523
Agency services fees	2,744	2,734
Underwriting and advisory fees	1,909	1,594
Settlement and clearing fees	1,538	1,279
Custody and other fiduciary business fees	1,446	1,358
Acceptance and guarantee fees	1,360	1,120
Wealth management service fees	634	876
Others	2,183	1,947
Subtotal	25,977	22,431
Fee and commission expense		
Bank card transaction fees	1,908	1,713
Settlement and clearing fees	144	288
Others	756	657
Subtotal	2,808	2,658
Net fee and commission income	23,169	19,773

3 Net trading gains

	2019	2018
Trading financial instruments		
– Derivatives	(355)	(332)
– Debt securities	920	1,307
Subtotal	565	975
Financial instruments designated at fair value through profit or loss	(1)	4
Precious metal contracts	21	92
Total	585	1,071

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Net gains arising from investment securities

	2019	2018
Net gains arising from financial investments at fair value through profit or loss	4,622	9,813
Net (losses)/gains arising from debt instruments at fair value through other comprehensive income	(1,915)	803
Net gains arising from loans and advances to customers at fair value through other comprehensive income	189	347
Net gains/(losses) arising from financial investments measured at amortised cost	22	(6)
Net revaluation gains/(losses) reclassified from other comprehensive income on disposal	1,982	(1,095)
Total	4,900	9,862

5 Operating expenses

	Note	2019	2018
Staff costs			
– Salaries and bonuses		12,759	11,827
– Pension and annuity		2,167	1,811
– Housing allowances		881	775
– Staff welfares		443	400
– Supplementary retirement benefits		110	86
– Others		2,041	1,970
Subtotal		18,401	16,869
Premises and equipment expenses			
– Depreciation of the right-of-use assets		2,429	–
– Depreciation of fixed assets		1,485	1,419
– Rental and property management expenses		565	2,853
– Interest expense on lease liabilities		489	–
– Amortisation of intangible assets		400	338
– Amortisation of other long-term assets		350	407
Subtotal		5,718	5,017
Tax and surcharges		1,400	1,165
Other general and administrative expenses	(a)	12,910	10,655
Total		38,429	33,706

Note:

(a) Auditors' remuneration for the year ended 31 December 2019 was RMB9.50million (2018: RMB9.00 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows:

	Notes	2019							
		Fees RMB'000	Salaries RMB'000	Discretionary bonuses		Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
				Paid RMB'000	Payable RMB'000				
Executive directors									
Lu Hong	(i)	–	952	1,228	–	2,180	44	126	2,350
Non-executive directors									
Li Xiaopeng		–	–	–	–	–	–	–	–
Cai Yunge		–	–	–	–	–	–	–	–
Wang Xiaolin		–	–	–	–	–	–	–	–
Shi Yongyan		–	–	–	–	–	–	–	–
Dou Hongquan	(ii)	–	–	–	–	–	–	–	–
He Haibin		–	–	–	–	–	–	–	–
Liu Chong	(ii)	–	–	–	–	–	–	–	–
Yu Chunling	(ii)	–	–	–	–	–	–	–	–
Independent non-executive directors									
Fok Oi Ling		370	–	–	–	370	–	–	370
Xu Hongcai		271	–	–	–	271	–	–	271
Wang Liguo		360	–	–	–	360	–	–	360
Shao Ruiqing	(ii)	150	–	–	–	150	–	–	150
Hong Yong-miao	(ii)	93	–	–	–	93	–	–	93
Supervisors									
Li Xin		–	984	1,195	–	2,179	44	126	2,349
Yin Lianchen		–	–	–	–	–	–	–	–
Wu Junhao		–	–	–	–	–	–	–	–
Wu Gaolian		–	–	–	–	–	–	–	–
Wang Zhe		290	–	–	–	290	–	–	290
Qiao Zhimin	(ii)	75	–	–	–	75	–	–	75
Xu Keshun	(ii)	–	363	570	–	933	21	64	1,018
Sun Jianwei	(ii)	–	364	456	–	820	18	64	902
Shang Wencheng	(ii)	–	348	519	–	867	21	64	952

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows (continued):

	Notes	2019							
		Fees RMB'000	Salaries RMB'000	Discretionary bonuses		Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
				Paid RMB'000	Payable RMB'000				
Former executive directors									
Ge Haijiao	(ii)	–	200	150	–	350	16	105	471
Former non-executive directors									
Fu Dong	(ii)	–	–	–	–	–	–	–	–
Zhao Wei	(ii)	–	–	–	–	–	–	–	–
Former independent non-executive director									
Qiao Zhimin	(ii)	284	–	–	–	284	–	–	284
Xie Rong	(ii)	216	–	–	–	216	–	–	216
Feng Lun	(ii)	343	–	–	–	343	–	–	343
Former Supervisors									
Sun Xinhong	(ii)	–	348	570	–	918	–	–	918
Jiang Ou	(ii)	–	349	456	–	805	–	–	805
Huang Dan	(ii)	–	264	519	–	783	–	–	783
Yu Erniu		–	–	–	–	–	–	–	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows (continued):

	2018							
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses		Subtotal RMB'000	Contributions to social pension schemes RMB'000	Other welfares RMB'000	Total RMB'000
			Paid RMB'000	Payable RMB'000				
Executive directors								
Ge Haijiao	–	22	17	–	39	3	11	53
Zhang Jinliang	–	311	–	–	311	9	81	401
Ma Teng	–	568	–	–	568	20	59	647
Li Jie	–	756	–	–	756	27	81	864
Non-executive directors								
Li Xiaopeng								
Cai Yunge								
Fu Dong	–	–	–	–	–	–	–	–
Shi Yongyan	–	–	–	–	–	–	–	–
Wang Xiaolin	–	–	–	–	–	–	–	–
He Haibin	–	–	–	–	–	–	–	–
Zhao Wei	–	–	–	–	–	–	–	–
Independent non-executive directors								
Fok Oi Ling	370	–	–	–	370	–	–	370
Qiao Zhimin	390	–	–	–	390	–	–	390
Xie Rong	370	–	–	–	370	–	–	370
Feng Lun	360	–	–	–	360	–	–	360
Wang Liguo	340	–	–	–	340	–	–	340
Xu Hongcai	–	–	–	–	–	–	–	–
Supervisors								
Li Xin	–	1,067	91	–	1,158	41	125	1,324
Yin Lianchen	–	–	–	–	–	–	–	–
Wu Junhao	–	–	–	–	–	–	–	–
Yu Erniu	–	–	–	–	–	–	–	–
Wu Gaolian	–	–	–	–	–	–	–	–
Wang Zhe	290	–	–	–	290	–	–	290
Sun Xinhong	–	693	1,205	–	1,898	30	120	2,048
Jiang Ou	–	598	896	–	1,494	33	125	1,652
Huang Dan	–	522	1,425	–	1,947	40	125	2,112
Former non-executive directors								
Zhang Shude	–	–	–	–	–	–	–	–
Li Huaqiang	–	–	–	–	–	–	–	–

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Directors' and supervisors' emoluments (continued)

The emoluments before individual income tax in respect of the directors and supervisors who held office during the reporting year are as follows (continued):

Notes:

- (i) On 30 July 2019, Mr. Lu Hong was elected as the executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2019. On 10 October 2019, the CBIRC approved his qualification of the executive director.
- (ii) On 30 July 2019, Mr. Dou Hongquan was elected as the non-executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2019. On 10 October 2019, the CBIRC approved his qualification of the non-executive director.
- On 30 July 2019, Mr. Liu Chong was elected as the non-executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2019. On 26 December 2019, the CBIRC approved his qualification of the non-executive director.
- On 30 July 2019, Ms. Yu Chunling was elected as the non-executive director at the Bank's Second Extraordinary Shareholders' General Meeting of 2019. On 2 November 2019, the CBIRC approved her qualification of the non-executive director.
- On 30 May 2019, Mr. Shao Ruiqing was elected as an independent director at the Bank's 2018 Annual Shareholders' General Meeting. On 5 August 2019, the CBIRC approved his qualification of the independent director.
- On 30 May 2019, Mr. Hong Yongmiao was elected as an independent director at the Bank's 2018 Annual Shareholders' General Meeting. On 12 September 2019, the CBIRC approved his qualification of the independent director.
- On 7 January 2019, due to expiration of his term of office, Mr. Qiao Zhimin resigned from the positions of independent non-executive director, director and member of the Remuneration Committee, member of the Nomination Committee, member of the Risk Management Committee, member of the Audit Committee, and member of the Related Party Transactions Control Committee of the Board of Directors of the Bank. However, in order to ensure the number of independent non-executive directors meets the statutory requirements, Mr. Qiao Zhimin would continue to perform his duties before the qualifications of the succeeding independent non-executive director Mr. Hong Yongmiao were approved by CBIRC.
- On 26 July 2019, the staff congress of the Bank elected Mr. Xu Keshun, Mr. Sun Jianwei and Mr. Shang Wencheng as the staff supervisors of the Bank. Mr. Sun Xinbong, Mr. Jiang ou and Ms. Huang Dan left their post on 26 July 2019.
- On 22 January 2019, CBIRC approved Mr. Ge Haijiao to serve as executive director of the Bank. On 30 September 2019, due to job assignment, Mr. Ge Haijiao resigned from the positions of executive director, director and member of the Inclusive Finance Development and Consumer Rights and Interests Protection Committee, member of the Strategy Committee, and member of the Risk Management Committee of the Board of Directors of the Bank.
- On 16 August 2019, due to job assignment, Mr. Fu Dong resigned from the positions of non-executive director, member of the Audit Committee, and member of the Risk Management Committee of the Board of Directors of the Bank.
- On 30 July 2019, the 2019 Second Extraordinary General Shareholders' Meeting re-elected the Board of Directors, and Mr. Zhao Wei ceased to serve as the Bank's non-executive director.
- On 7 January 2019, due to expiration of his term of office, Mr. Xie Rong resigned from the positions of independent director, director and member of the Audit Committee, member of the Nomination Committee, member of the Remuneration Committee, and member of the Related Party Transactions Control Committee of the Board of Directors of the Bank. However, in order to ensure the number of independent directors meets the statutory requirements, Mr. Xie Rong continued to perform his duties until the qualification of the succeeding independent director Mr. Shao Ruiqing was approved by CBIRC.
- On 30 July 2019, the 2019 Second Extraordinary General Shareholders' Meeting re-elected the Board of Directors, and Mr. Feng Lun ceased to serve as the Bank's independent director. He would continue to perform his duties before the qualifications of the succeeding independent director are approved by CBIRC.
- On July 30 2019, after the Second Extraordinary General Shareholders' Meeting of 2019, Mr. Yu Erniu left his post at the end of his term of office.
- (iii) The total compensation package for these directors and supervisors for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's and the Bank's financial statements for the year ended 31 December 2019.

The above directors' and supervisors' emoluments for the year ended 31 December 2019 were calculated in accordance with their actual tenure.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Individuals with highest emoluments

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	1,899	2,894
Discretionary bonuses	27,512	25,694
Contributions to pension schemes	248	905
Others	488	721
Total	30,147	30,214

None of the five individuals with the highest emoluments are directors or supervisors. The number of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2019	2018
RMB3,000,001-3,500,000	–	–
RMB3,500,001-4,000,000	–	–
RMB4,000,001-4,500,000	–	–
RMB4,500,001-5,000,000	2	–
RMB5,000,001 and above	3	5

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the reporting year.

8 Credit impairment losses

	2019	2018
Loans and advances to customers		
– measured at amortised cost	47,821	34,714
– measured at fair value through other comprehensive income	(35)	(369)
Debt instruments at fair value through other comprehensive income	439	58
Financial investments measured at amortised cost	(314)	485
Finance lease receivables	752	170
Others	302	686
Total	48,965	35,744

9 Other impairment losses

	2019	2018
Other assets	382	84
Total	382	84

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Income tax

(a) Income tax:

	Note V	2019	2018
Current tax		13,727	9,101
Deferred tax	24(b)	(5,887)	(1,808)
Adjustments for prior year	10(b)	(118)	(162)
Total		7,722	7,131

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2019	2018
Profit before tax		45,163	40,852
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		11,291	10,213
Effect of different tax rates applied by certain subsidiaries		(5)	–
Non-deductible expenses			
– Staff costs		88	2
– Impairment losses on assets		527	1,250
– Others		309	334
Subtotal		924	1,586
Non-taxable income	(i)	(4,370)	(4,506)
Subtotal		7,840	7,293
Adjustments for prior year		(118)	(162)
Income tax		7,722	7,131

Note:

- (i) Non-taxable income mainly includes interest income of PRC treasury bonds and dividends of funds.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Basic and diluted earnings per ordinary share

Basic earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Net profit attributable to equity holders of the Bank	37,354	33,659
Less: Dividends on preference shares declared	1,450	1,450
Net profit attributable to ordinary shareholders of the Bank	35,904	32,209
Weighted average number of ordinary shares in issue (in million shares)	52,489	52,489
Basic earnings per share (in RMB/share)	0.68	0.61

Weighted average number of ordinary shares in issue (in million shares)

	2019	2018
Issued ordinary shares as at 1 January	52,489	52,489
Weighted average number of ordinary shares in issue	52,489	52,489

Diluted earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. The Bank had convertible bonds as dilutive potential ordinary shares.

	2019	2018
Net profit attributable to ordinary shareholders of the Bank	35,904	32,209
Add: Interest expense on convertible bonds, net of tax	899	864
Net profit used to determine diluted earnings per share	36,803	33,073
Weighted average number of ordinary shares in issue (in million shares)	52,489	52,489
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	7,264	7,264
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	59,753	59,753
Diluted earnings per share (in RMB/share)	0.62	0.55

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For the year ended 31 December 2019

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Cash and deposits with the central bank

	Notes	31 December 2019	31 December 2018
Cash on hand		4,355	4,721
Deposits with the central bank			
– Statutory deposit reserves	(a)	297,528	254,574
– Surplus deposit reserves	(b)	57,546	103,684
– Foreign currency risk reserves	(c)	3,732	857
– Fiscal deposits		1,050	2,603
Subtotal		364,211	366,439
Accrued interest		129	136
Total		364,340	366,575

Notes:

- (a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. At the end of the year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2019	31 December 2018
Reserve ratio for RMB deposits	10.50%	12.00%
Reserve ratio for foreign currency deposits	5.00%	5.00%

The statutory deposit reserves are not available for the Group's daily business. The RMB deposit reserve ratio of the Group's subsidiaries in Mainland China is executed in accordance with the relevant regulations of the PBOC. The amounts of statutory deposit reserves placed with the central banks of overseas are determined by local jurisdictions.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.
- (c) The Group places foreign currency risk reserves with the PBOC in accordance with relevant regulations. As at 31 December 2019, the foreign currency risk reserve ratio was 20% (31 December 2018: 20%).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2019	31 December 2018
Deposits in Mainland China		
– Banks	12,868	12,815
– Other financial institutions	528	246
Deposits outside Mainland China		
– Banks	18,399	28,382
Subtotal	31,795	41,443
Accrued interest	6	10
Total	31,801	41,453
Less: Provision for impairment losses	(443)	(448)
Net balances	31,358	41,005

14 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2019	31 December 2018
Placements in Mainland China		
– Banks	4,160	20,767
– Other financial institutions	29,777	53,420
Placements outside Mainland China		
– Banks	26,291	22,162
– Other financial institutions	–	–
Subtotal	60,228	96,349
Accrued interest	213	530
Total	60,441	96,879
Less: Provision for impairment losses	(171)	(194)
Net balances	60,270	96,685

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Derivatives and hedge accounting

Derivative financial instruments included forward, swap and option contracts undertaken by the Group in foreign currency and interest rate markets. The Group acts as an intermediary between a wide range of customers for structuring deals to provide risk management solutions to meet customer needs. These positions are actively managed through entering into back-to-back deals with external parties to ensure the Group's net exposures are within acceptable risk level. The Group also uses derivative financial instruments to manage its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and their corresponding fair values at the end of the reporting year. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting year, while they do not represent exposure at risk.

(a) Derivative financial assets and liabilities

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	1,298,443	3,655	(3,680)
Currency derivatives			
– Foreign exchange forward	29,168	229	(197)
– Foreign exchange swap and cross-currency interest rate swap	1,365,001	9,483	(9,557)
– Foreign exchange option	78,260	392	(386)
Credit derivatives	4,254	46	(73)
Total	2,775,126	13,805	(13,893)
	31 December 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
– Interest rate swap	1,972,544	4,323	(4,280)
– Interest rate futures	3,275	2	(24)
Currency derivatives			
– Foreign exchange forward	18,331	166	(237)
– Foreign exchange swap and cross-currency interest rate swap	1,215,774	9,984	(9,112)
– Foreign exchange option	124,117	640	(661)
– Foreign exchange futures	27	–	–
Credit derivatives	4,756	97	(35)
Total	3,338,824	15,212	(14,349)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Derivatives and hedge accounting (continued)

(b) Analysed by credit risk-weighted amounts

	31 December 2019	31 December 2018
Counterparty default risk-weighted assets		
– Interest rate derivatives	492	77
– Currency derivatives	3,449	1,547
– Credit derivatives	317	–
Credit value adjustment	1,710	724
Total	5,968	2,348

The risk-weighted assets for counterparty credit risk (“CCR”) of derivatives of the Group were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment (“CVA”). The risk-weighted assets for CCR of derivatives of the Group were calculated in accordance with the Assets Measurement Rules for Counterparty Default Risks of Derivatives since 1 January 2019.

(c) Hedging accounting

As at 31 December 2019, the notional amount of the derivative financial instruments used by the Group for the fair value hedging instrument in the hedge accounting was RMB14 million (31 December 2018: Nil), and the fair value of the derivative financial instrument was RMB-95 thousands (31 December 2018: Nil).

In 2019, the fair value changes recognised in the profit or loss attributed to the ineffective hedging were not significant.

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(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	31 December 2019	31 December 2018
In Mainland China		
– Banks	2,000	5,395
– Other financial institutions	4,702	31,919
Outside Mainland China		
– Other financial institutions	126	427
Subtotal	6,828	37,741
Accrued interest	8	34
Total	6,836	37,775
Less: Provision for impairment losses	(1)	(2)
Net balances	6,835	37,773

(b) Analysed by type of security held

	31 December 2019	31 December 2018
Bonds		
– Government bonds	2,062	8,196
– Other debt securities	4,766	29,545
Subtotal	6,828	37,741
Accrued interest	8	34
Total	6,836	37,775
Less: Provision for impairment losses	(1)	(2)
Net balances	6,835	37,773

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers

(a) Analysed by nature

	31 December 2019	31 December 2018
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	1,463,630	1,306,473
Discounted bills	488	1,339
Personal loans and advances		
– Personal housing mortgage loans	414,211	381,772
– Personal business loans	158,871	145,502
– Personal consumption loans	140,545	125,425
– Credit cards	443,881	400,504
Subtotal	1,157,508	1,053,203
Loans and advances to customers at fair value through other comprehensive income		
Fox-domestic credit	26,403	26,156
Discounted bills	64,175	34,158
Subtotal	90,578	60,314
Total	2,712,204	2,421,329
Accrued interest	8,160	7,158
Gross loans and advances to customers	2,720,364	2,428,487
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(76,228)	(67,209)
Net loans and advances to customers	2,644,136	2,361,278
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(438)	(473)

As at the end of the year, part of the above loans and advances to customers was pledged for repurchase agreements. See Note V 26(a).

Notes to the Consolidated Financial Statements

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(b) Analysed by economic sector

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	270,177	9.96%	102,716
Water, environment and public utility management	261,465	9.64%	111,707
Real estate	211,918	7.81%	130,785
Leasing and commercial services	170,068	6.27%	65,501
Wholesale and retail trade	113,140	4.17%	42,016
Construction	94,793	3.50%	35,149
Transportation, storage and postal services	87,226	3.22%	36,653
Finance	76,907	2.84%	12,380
Production and supply of electricity, gas and water	45,948	1.69%	13,517
Agriculture, forestry, husbandry and fishery	41,459	1.53%	12,962
Others	116,932	4.31%	45,051
Subtotal of corporate loans and advances	1,490,033	54.94%	608,437
Personal loans and advances	1,157,508	42.68%	550,653
Discounted bills	64,663	2.38%	62,914
Total	2,712,204	100.00%	1,222,004
Accrued interest	8,160		
Gross loans and advances to customers	2,720,364		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(76,228)		
Net loans and advances to customers	2,644,136		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(438)		

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(b) Analysed by economic sector (continued)

	31 December 2018		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	248,914	10.28%	78,477
Water, environment and public utility management	222,568	9.19%	103,210
Real estate	192,075	7.93%	120,395
Leasing and commercial services	150,159	6.20%	59,439
Wholesale and retail trade	111,021	4.59%	38,958
Transportation, storage and postal services	94,783	3.91%	40,528
Construction	71,435	2.95%	26,018
Finance	74,177	3.06%	3,325
Production and supply of power, gas and water	43,638	1.80%	11,195
Agriculture, forestry, husbandry and fishery	32,356	1.34%	8,962
Others	91,503	3.78%	38,537
Subtotal of corporate loans and advances	1,332,629	55.03%	529,044
Personal loans and advances	1,053,203	43.50%	519,182
Discounted bills	35,497	1.47%	31,119
Total	2,421,329	100.00%	1,079,345
Accrued interest	7,158		
Gross loans and advances to customers	2,428,487		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(67,209)		
Net loans and advances to customers	2,361,278		
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(473)		

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(c) Analysed by type of collateral

	31 December 2019	31 December 2018
Unsecured loans	852,885	778,691
Guaranteed loans	637,315	563,293
Secured loans		
– By tangible assets other than monetary assets	862,021	814,026
– By monetary assets	359,983	265,319
Total	2,712,204	2,421,329
Accrued interest	8,160	7,158
Gross loans and advances to customers	2,720,364	2,428,487
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(76,228)	(67,209)
Net loans and advances to customers	2,644,136	2,361,278
Provision for impairment losses of loans and advances to customers at fair value through other comprehensive income	(438)	(473)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(d) Analysed by geographical sector

	31 December 2019		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	556,102	20.49%	219,717
Central	447,249	16.49%	256,676
Bohai Rim	349,559	12.89%	199,916
Western	348,706	12.86%	200,481
Pearl River Delta	341,541	12.59%	220,143
Northeastern	121,928	4.50%	80,011
Overseas	96,174	3.55%	38,005
Head Office	450,945	16.63%	7,055
Total	2,712,204	100.00%	1,222,004

	31 December 2018		
	Loan balance	Percentage	Loans and advances secured by collateral
Yangtze River Delta	478,383	19.76%	197,173
Central	382,965	15.82%	219,430
Bohai Rim	341,728	14.11%	188,325
Western	325,532	13.44%	195,562
Pearl River Delta	291,896	12.06%	187,691
Northeastern	119,667	4.94%	78,825
Overseas	78,040	3.22%	9,682
Head Office	403,118	16.65%	2,657
Total	2,421,329	100.00%	1,079,345

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(d) Analysed by geographical sector (continued)

As at the end of the year, detailed information of the impaired loans and advances to customers which constitute 10% or more of gross loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors is as follows:

	31 December 2019			
	Impaired loans and advances	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)
Yangtze River Delta	6,831	(6,439)	(4,847)	(3,625)
Central	5,031	(4,094)	(2,461)	(3,218)
Bohai Rim	5,797	(2,159)	(2,435)	(3,032)
Western	4,951	(2,849)	(4,212)	(2,707)
Pearl River Delta	4,155	(4,219)	(1,829)	(1,811)
Total	26,765	(19,760)	(15,784)	(14,393)

	31 December 2018			
	Impaired loans and advances	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)
Bohai Rim	9,196	(2,387)	(2,056)	(5,856)
Yangtze River Delta	5,599	(6,787)	(4,798)	(2,898)
Pearl River Delta	4,516	(3,945)	(1,816)	(2,135)
Central	4,477	(4,412)	(2,954)	(2,328)
Western	4,398	(3,076)	(3,930)	(2,032)
Total	28,186	(20,607)	(15,554)	(15,249)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(e) Overdue loans analysed by overdue year

	31 December 2019				Total
	Overdue for three months or less (inclusive)	Overdue for three months to one year (inclusive)	Overdue for one year to three years (inclusive)	Overdue for more than three years	
Unsecured loans	15,557	11,118	323	33	27,031
Guaranteed loans	4,954	4,953	3,726	609	14,242
Secured loans					
– By tangible assets other than monetary assets	5,692	4,973	4,421	1,429	16,515
– By monetary assets	1,434	1,449	837	36	3,756
Subtotal	27,637	22,493	9,307	2,107	61,544
Accrued interest	69	–	–	–	69
Total	27,706	22,493	9,307	2,107	61,613
As a percentage of gross loans and advances to customers	1.01%	0.83%	0.34%	0.08%	2.26%

	31 December 2018				Total
	Overdue for three months or less (inclusive)	Overdue for three months to one year (inclusive)	Overdue for one year to three years (inclusive)	Overdue for more than three years	
Unsecured loans	10,014	8,443	394	29	18,880
Guaranteed loans	6,625	7,418	2,667	522	17,232
Secured loans					
– By tangible assets other than monetary assets	6,525	4,715	4,492	1,772	17,504
– By monetary assets	1,427	741	1,103	2	3,273
Subtotal	24,591	21,317	8,656	2,325	56,889
Accrued interest	349	–	–	–	349
Total	24,940	21,317	8,656	2,325	57,238
As a percentage of gross loans and advances to customers	1.03%	0.88%	0.35%	0.10%	2.36%

Overdue loans represent loans, of which the whole or part of the principal or interest was overdue for one day or more.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(f) Loans and advances and provision for impairment losses

	31 December 2019					Stage 3 loans and advances as a percentage of loans and advances
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	Total		
Loan principal	2,546,902	123,090	42,212	2,712,204	1.56%	
Accrued interest	6,701	1,158	301	8,160		
Gross loans and advances to customers	2,553,603	124,248	42,513	2,720,364		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(24,060)	(27,574)	(24,594)	(76,228)		
Net loans and advances to customers	2,529,543	96,674	17,919	2,644,136		
	31 December 2018					
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	Total		Stage 3 loans and advances as a percentage of loans and advances
Loan principal	2,245,353	137,555	38,421	2,421,329	1.59%	
Accrued interest	5,354	1,576	228	7,158		
Gross loans and advances to customers	2,250,707	139,131	38,649	2,428,487		
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost	(23,335)	(21,264)	(22,610)	(67,209)		
Net loans and advances to customers	2,227,372	117,867	16,039	2,361,278		

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(g) Reconciliation of provision for impairment losses

	2019			Total
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	
As at 1 January 2019	(23,335)	(21,264)	(22,610)	(67,209)
Transfer to Stage 1	(2,089)	2,038	51	–
Transfer to Stage 2	742	(787)	45	–
Transfer to Stage 3	156	2,233	(2,389)	–
Charge for the year	(3,899)	(10,693)	(38,804)	(53,396)
Release for the year	4,365	899	311	5,575
Disposal	–	–	13,826	13,826
Write-off and transfer out	–	–	26,576	26,576
Recovery of loans and advances written off	–	–	(2,428)	(2,428)
Unwinding of discount on allowance	–	–	828	828
As at 31 December 2019	(24,060)	(27,574)	(24,594)	(76,228)

	2018			Total
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	
As at 1 January 2018	(18,666)	(18,271)	(21,134)	(58,071)
Transfer to Stage 1	(1,073)	1,048	25	–
Transfer to Stage 2	867	(898)	31	–
Transfer to Stage 3	164	3,038	(3,202)	–
Charge for the year	(7,412)	(7,137)	(24,318)	(38,867)
Release for the year	2,785	956	412	4,153
Disposal	–	–	10,149	10,149
Write-off and transfer out	–	–	16,162	16,162
Recovery of loans and advances written off	–	–	(1,527)	(1,527)
Unwinding of discount on allowance	–	–	792	792
As at 31 December 2018	(23,335)	(21,264)	(22,610)	(67,209)

Notes:

- (i) The above reconciliation of provision for impairment losses only represents provision for impairment losses of loans and advances to customers measured at amortised cost. As at 31 December 2019, the balance of provision for impairment losses of loans and advances to customers at fair value through other comprehensive income was RMB438 million (31 December 2018: RMB473 million).

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (continued)

(h) Rescheduled loans and advances to customers

	31 December 2019	31 December 2018
Rescheduled loans and advances to customers	11,888	15,788
Of which: Rescheduled loans and advances to customers overdue for more than 90 days	898	801

18 Finance lease receivables

	Note	31 December 2019	31 December 2018
Minimum finance lease receivables		99,825	74,656
Less: Unearned finance lease income		(14,662)	(10,287)
Present value of minimum lease receivable		85,163	64,369
Accrued interest		936	588
Less: Impairment losses		(2,376)	(1,624)
Net balance	(i)	83,723	63,333

Minimum finance lease receivables analysed by remaining period are listed as follows:

	31 December 2019	31 December 2018
Less than 1 year (inclusive)	23,619	19,073
1 year to 2 years (inclusive)	20,418	14,924
2 years to 3 years (inclusive)	17,123	12,298
3 years to 4 years (inclusive)	12,628	8,718
4 years to 5 years (inclusive)	9,745	6,301
More than 5 years	16,292	13,342
Total	99,825	74,656

Note:

(i) As at the end of the year, part of finance lease receivables were pledged for borrowings from banks. See Note V 26(a).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Financial investments

	Notes	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss	(a)	211,406	222,737
Debt instruments at fair value through other comprehensive income	(b)	180,005	153,987
Equity instruments at fair value through other comprehensive income	(c)	623	367
Financial investments measured at amortised cost	(d)	1,041,512	923,989
Total		1,433,546	1,301,080

(a) Financial assets at fair value through profit or loss

	Notes	31 December 2019	31 December 2018
Debt instruments held for trading	(i)	18,602	10,886
Financial assets designated at fair value through profit or loss	(ii)	4	6
Other financial assets at fair value through profit or loss	(iii)	192,800	211,845
Total		211,406	222,737

(i) Debt instruments held for trading

	Notes	31 December 2019	31 December 2018
Issued by the following governments or institutions:			
In Mainland China			
– Government		132	–
– Banks and other financial institutions		4,975	1,006
– Other institutions	(1)	9,436	8,323
Outside Mainland China			
– Banks and other financial institutions		2,624	170
– Other institutions		1,435	1,387
Total	(2)	18,602	10,886
Listed	(3)	4,716	2,257
Of which listed in Hong Kong		1,703	1,809
Unlisted		13,886	8,629
Total		18,602	10,886

Notes:

- (1) Debt instruments issued by other institutions in Mainland China mainly represented debt securities issued by state-owned enterprises and joint stock enterprises in Mainland China.
- (2) At the end of the year, some of the debt instruments held for trading are used as pledges for repurchase agreement. See Note V 26(a).
- (3) Listed investments include debt instruments traded on the stock exchange markets.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Financial investments (continued)

(a) Financial assets at fair value through profit or loss (continued)

(ii) Financial assets designated at fair value through profit or loss

	31 December 2019	31 December 2018
Fixed interest rate personal mortgage loans	4	6

For fixed interest rate personal mortgage loans, the Group used interest rate swaps to manage the associated interest rate risk. The changes in fair value during the year, the accumulated changes and the maximum credit risk exposure attributable to credit risk were immaterial.

(iii) Other financial assets at fair value through profit or loss

	31 December 2019	31 December 2018
Fund investments	159,760	180,633
Equity instruments	2,019	1,182
Others	31,021	30,030
Total	192,800	211,845

(b) Debt instruments at fair value through other comprehensive income

(i) Analysed by type and location of counterparty:

	Notes	31 December 2019	31 December 2018
In Mainland China			
– Government		40,880	32,527
– Banks and other financial institutions	(1)	51,640	46,569
– Other institutions	(2)	56,371	54,903
Outside Mainland China			
– Government		98	–
– Banks and other financial institutions		7,574	1,709
– Other institutions		19,777	14,942
Subtotal		176,340	150,650
Accrued interest		3,665	3,337
Total	(3)(4)	180,005	153,987
Listed	(5)	43,019	27,077
Of which listed in Hong Kong		29,884	19,855
Unlisted		133,321	123,573
Subtotal		176,340	150,650
Accrued interest		3,665	3,337
Total		180,005	153,987

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Financial investments (continued)

(b) Debt instruments at fair value through other comprehensive income

(i) *Analysed by type and location of counterparty:*

Notes:

- (1) Debt instruments issued by banks and other financial institutions mainly represent debt securities issued by banks and other financial institutions in Mainland China.
- (2) Debt instruments issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in Mainland China.
- (3) As at 31 December 2019, the provision for impairment losses of the debt instruments at fair value through other comprehensive income approximates to RMB826 million (31 December 2018: RMB384 million).
- (4) At the end of the year, part of the debt instruments at fair value through other comprehensive income was pledged for repurchase agreements and time deposits. See Note V 26(a).
- (5) Listed investments include debt instruments traded on the stock exchange markets.

(ii) *Reconciliation of provision for impairment losses on debt instruments at fair value through other comprehensive income*

	2019			Total
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	
As at 1 January 2019	(384)	–	–	(384)
Transfer to Stage 3	2	–	(2)	–
Charge for the year	(343)	–	(116)	(459)
Release for the year	20	–	–	20
Exchange fluctuation and others	(3)	–	–	(3)
As at 31 December 2019	(708)	–	(118)	(826)

	2018			Total
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	
As at 1 January 2018	(325)	–	–	(325)
Charge for the year	(75)	–	–	(75)
Release for the year	17	–	–	17
Exchange fluctuation and others	(1)	–	–	(1)
As at 31 December 2018	(384)	–	–	(384)

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Financial investments (continued)

(c) Equity instruments at fair value through other comprehensive income

	Notes	31 December 2019	31 December 2018
Equity instruments at fair value through other comprehensive income	(i)	623	367
Listed	(ii)	21	15
Of which listed in Hong Kong		–	–
Unlisted		602	352
Total		623	367

Notes:

(i) The Group designated the equity instruments not held for trading as measured at fair value through other comprehensive income. As at 31 December 2019, the fair value was RMB623 million (31 December 2018: RMB367 million). In 2019, the Group received dividends of approximately RMB11 million from the above equity instruments (2018: RMB8 million).

(ii) Listed investments include equity instruments traded on the stock exchange markets.

(d) Financial investments measured at amortised cost

	Notes	31 December 2019	31 December 2018
Debt securities	(i)	773,460	497,775
Others	(ii)	256,649	410,350
Subtotal		1,030,109	908,125
Accrued interest		15,786	20,558
Total		1,045,895	928,683
Less: Provision for impairment losses		(4,383)	(4,694)
Net balance		1,041,512	923,989
Listed	(iii)	139,562	79,879
Of which listed in Hong Kong		20,905	10,193
Unlisted		886,164	823,552
Subtotal		1,025,726	903,431
Accrued interest		15,786	20,558
Net balance		1,041,512	923,989

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Financial investments (continued)

(d) Financial investments measured at amortised cost (continued)

(i) *Debt securities measured at amortised cost were analysed by type and location of counterparty, as follows:*

	Notes	31 December 2019	31 December 2018
In Mainland China			
– Government		340,733	259,640
– Banks and other financial institutions	(1)	228,028	174,930
– Other institutions	(2)	183,628	51,150
Outside Mainland China			
– Government		1,891	1,088
– Banks and other financial institutions		5,486	3,789
– Other institutions		13,694	7,178
Subtotal		773,460	497,775
Accrued interest		13,140	9,175
Total	(3)	786,600	506,950
Less: Provision for impairment losses		(1,657)	(1,599)
Net balance		784,943	505,351
Fair value		796,461	512,668

Notes:

- (1) *Debt securities issued by banks and other financial institutions mainly represent debt securities and asset-backed instruments issued by banks and other financial institutions in Mainland China.*
- (2) *Debt securities issued by other institutions mainly represent debt securities issued by state-owned enterprises and joint stock enterprises in Mainland China.*
- (3) *As at the end of the year, part of the debt securities measured at amortised cost was pledged for repurchase agreements, time deposits and derivative transactions. See Note V 26(a).*

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Financial investments (continued)

(d) Financial investments measured at amortised cost (continued)

(ii) *Other financial investments measured at amortised cost mainly include trusts and other rights to earnings.*

(iii) *Listed investments include debt instruments traded on the stock exchange markets.*

(iv) *Reconciliation of provision for impairment losses on financial investments measured at amortised cost:*

	2019			Total
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	
As at 1 January 2019	(3,531)	–	(1,163)	(4,694)
Transfer to Stage 2	3	(3)	–	–
Transfer to Stage 3	8	–	(8)	–
Charge for the year	–	(98)	(723)	(821)
Release for the year	1,010	–	125	1,135
Exchange fluctuation and others	(3)	–	–	(3)
As at 31 December 2019	(2,513)	(101)	(1,769)	(4,383)

	2018			Total
	Stage 1 (ECL of 12 months)	Stage 2 (ECL of lifetime)	Stage 3 (ECL of lifetime)	
As at 1 January 2018	(3,288)	–	(916)	(4,204)
Charge for the year	(435)	–	(247)	(682)
Release for the year	197	–	–	197
Exchange fluctuation and others	(5)	–	–	(5)
As at 31 December 2018	(3,531)	–	(1,163)	(4,694)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Investments in subsidiaries

	31 December 2019	31 December 2018
Everbright Financial Leasing Co., Ltd.	4,680	4,680
CEB International Investment Co., Ltd.	2,267	2,267
Shaoshan Everbright Rural Bank Co., Ltd.	105	105
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	70	70
China Everbright Bank Company Limited (Europe)	156	156
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	105	105
Everbright Wealth Co.,Ltd.	5,000	–
Total	12,383	7,383

The details of the subsidiaries are presented as follows:

Corporate name	Registered address	Registered capital	Investment proportion	Voting proportion	Main business	Economic nature/type
Everbright Financial Leasing Co., Ltd.	Wuhan, Hubei	5,900	90%	90%	Leasing transactions	Incorporated company
CEB International Investment Co., Ltd.	Hong Kong	2,267	100%	100%	Investment banking	Limited company
Shaoshan Everbright Rural Bank Co., Ltd.	Shaoshan, Hunan	150	70%	70%	Banking business	Incorporated company
Jiangsu Huai'an Everbright Rural Bank Co., Ltd.	Huai'an, Jiangsu	100	70%	70%	Banking business	Incorporated company
China Everbright Bank Company Limited (Europe)	Luxembourg	156	100%	100%	Banking business	Incorporated company
Jiangxi Ruijin Everbright Rural Bank Co., Ltd.	Ruijin, Jiangxi	150	70%	70%	Banking business	Incorporated company
Everbright Wealth Co.,Ltd. (Note i)	Qingdao, Shandong	5,000	100%	100%	Wealth management	Limited company

(i) In September 2019, the Bank registered and established its wholly-owned subsidiary, Everbright Wealth Co.,Ltd. ("Everbright Wealth") in Qingdao, Shandong province, with a registered capital of RMB5 billion.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Fixed assets

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2019	11,737	5,725	2,100	6,195	4,172	29,929
Additions	69	170	1,256	871	459	2,825
Transfers in/(out)	1,146	–	(1,146)	–	–	–
Disposals	(3)	(332)	–	(399)	(133)	(867)
Foreign currency conversion difference	–	94	–	–	–	94
As at 31 December 2019	12,949	5,657	2,210	6,667	4,498	31,981
Accumulated depreciation						
As at 1 January 2019	(3,703)	(240)	–	(4,789)	(2,797)	(11,529)
Charge for the year	(404)	(200)	–	(480)	(401)	(1,485)
Disposals	3	38	–	374	125	540
Foreign currency conversion difference	–	(6)	–	–	–	(6)
As at 31 December 2019	(4,104)	(408)	–	(4,895)	(3,073)	(12,480)
Provision for impairment						
As at 1 January 2019	(159)	–	–	–	–	(159)
As at 31 December 2019	(159)	–	–	–	–	(159)
Net book value						
As at 31 December 2019	8,686	5,249	2,210	1,772	1,425	19,342

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Fixed assets (continued)

	Premises (Note (i))	Aircraft (Note (ii))	Construction in progress	Electronic equipment	Others	Total
Cost						
As at 1 January 2018	11,404	2,752	1,606	6,060	3,753	25,575
Additions	247	3,129	622	468	496	4,962
Transfers in/(out)	128	–	(128)	–	–	–
Disposals	(42)	(322)	–	(334)	(80)	(778)
Foreign currency conversion difference	–	166	–	1	3	170
As at 31 December 2018	11,737	5,725	2,100	6,195	4,172	29,929
Accumulated depreciation						
As at 1 January 2018	(3,344)	(103)	–	(4,513)	(2,527)	(10,487)
Charge for the year	(360)	(130)	–	(593)	(336)	(1,419)
Disposals	1	1	–	317	68	387
Foreign currency conversion difference	–	(8)	–	–	(2)	(10)
As at 31 December 2018	(3,703)	(240)	–	(4,789)	(2,797)	(11,529)
Provision for impairment						
As at 1 January 2018	(159)	–	–	–	–	(159)
As at 31 December 2018	(159)	–	–	–	–	(159)
Net book value						
As at 31 December 2018	7,875	5,485	2,100	1,406	1,375	18,241

Notes:

- (i) As at 31 December 2019, title deeds were not yet finalised for the premises with a carrying amount of RMB45 million (31 December 2018: RMB141 million). Management of the Group expected that there would be no significant cost in obtaining the title deeds.
- (ii) As at 31 December 2019, Everbright Financial Leasing, the Group's subsidiary leases certain aircraft and aircraft engines which were included in "Aircraft" to third parties under operating lease arrangements, with a net book value of RMB5,249 million (31 December 2018: RMB5,485 million).

The net book values of premises at the end of the year are analysed by the remaining terms of the leases as follows:

	31 December 2019	31 December 2018
Held in Mainland China		
– Medium term leases (10 – 50 years)	8,454	7,795
– Short term leases (less than 10 years)	232	80
Total	8,686	7,875

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Right-of-use assets

	Premises	Transportation and others	Total
Cost			
As at 1 January 2019	11,768	61	11,829
Additions	2,557	8	2,565
Charge for the year	(303)	(3)	(306)
Foreign currency conversion difference	1	–	1
As at 31 December 2019	14,023	66	14,089
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charge for the year	(2,412)	(17)	(2,429)
Reduction for the year	24	–	24
As at 31 December 2019	(2,388)	(17)	(2,405)
Net book value			
As at 31 December 2019	11,635	49	11,684

23 Goodwill

	31 December 2019	31 December 2018
Gross amount	6,019	6,019
Less: Provision for impairment losses	(4,738)	(4,738)
Net balances	1,281	1,281

As approved by the PBOC, the Bank and China Development Bank (“CDB”) jointly signed an “Agreement between China Development Bank and China Everbright Bank for the transfer of assets, liabilities and banking premises of China Investment Bank” (the “Agreement”) on 18 March 1999. According to the Agreement, CDB transferred the assets, liabilities, equity and 137 outlets of 29 branches of the former China Investment Bank (“CIB”) to the Bank. The Agreement became effective on 18 March 1999. The Bank assessed the fair value of the transferred assets and liabilities, and recognised the excess of the purchase cost over the sum of the fair value of the net assets transferred and deferred tax assets as goodwill.

The goodwill is subject to annual impairment testing. The Bank makes provision for impairment if necessary. The Bank calculates the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a five-year period. The discount rate used in the Bank’s cash flow forecast is 13% (2018: 14%). The discount rate used reflects specific risks relating to the relevant segments.

Based on the result of the impairment testing, no additional impairment losses on goodwill were recognised for the year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Deferred tax assets and liabilities

(a) Analysed by nature

	Note V	31 December 2019		31 December 2018	
		Temporary difference	Deferred tax assets/ (liabilities)	Temporary difference	Deferred tax assets/ (liabilities)
Deferred income tax assets		65,221	16,306	43,175	10,794
Deferred income tax liabilities	37	(6)	(1)	–	–
Total		65,215	16,305	43,175	10,794

(b) Movements of deferred tax

	Provision for impairment losses (Note(i))	Fair value changes of financial instruments (Note(ii))	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
1 January 2019	9,724	(674)	1,744	10,794
Recognised in profit or loss	5,042	705	140	5,887
Recognised in other comprehensive income	(102)	(274)	–	(376)
31 December 2019	14,664	(243)	1,884	16,305

	Provision for impairment losses (Note(i))	Fair value changes of financial instruments (Note(ii))	Accrued staff costs and others	Net balance of deferred tax assets/ (liabilities)
31 December 2017	4,918	1,131	1,547	7,596
Impact of adopting new standards	2,446	(98)	–	2,348
1 January 2018	7,364	1,033	1,547	9,944
Recognised in profit or loss	2,284	(673)	197	1,808
Recognised in other comprehensive income	76	(1,034)	–	(958)
31 December 2018	9,724	(674)	1,744	10,794

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the year. Besides, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the year, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Fair value changes of financial instruments are subject to tax when realised.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Other assets

	Note	31 December 2019	31 December 2018
Other receivables	(a)	25,614	11,201
Fixed asset purchase prepayment		795	509
Long-term deferred expense		871	1,103
Intangible assets		1,646	1,171
Repossessed assets		478	458
Land use rights		88	94
Accrued interest		2,988	2,198
Others		3,499	3,713
Total		35,979	20,447

Note:

(a) Other receivables mainly include items in the process of clearing and settlement. The amount of impairment allowance is not material.

26 Pledged assets

(a) Assets pledged as collateral

Financial assets pledged by the Group as collaterals for liabilities include discounted bills, debt securities and finance lease receivables. They are mainly pledged for repurchase agreements, time deposits, derivative contracts and borrowings from banks. The carrying amount of the financial assets pledged as securities as at 31 December 2019 is RMB86,363 million (31 December 2018: RMB95,841 million).

(b) Collateral received

The Group accepted securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase agreements with banks and other financial institutions in 2019. As at 31 December 2019, the Group's collateral received from banks and other financial institutions has expired (31 December 2018: Nil). As at 31 December 2019, the Group had no collateral that were sold or re-pledged, but was obligated to return (31 December 2018: Nil). These transactions are conducted under standard terms in the normal course of business.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 Due to the central bank

	31 December 2019	31 December 2018
Due to central banks	221,480	263,050
Accrued interest	3,358	4,143
Total	224,838	267,193

28 Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2019	31 December 2018
Deposits in Mainland China		
– Banks	170,505	168,466
– Other financial institutions	269,224	316,855
Deposits outside Mainland China		
– Banks	1,836	1,831
Subtotal	441,565	487,152
Accrued interest	2,755	2,939
Total	444,320	490,091

29 Placements from banks and other financial institutions

Analysed by type and location of counterparty

	31 December 2019	31 December 2018
Placements in Mainland China		
– Banks	89,480	75,109
– Other financial institutions	1,004	7,156
Placements outside Mainland China		
– Banks	74,625	69,024
Subtotal	165,109	151,289
Accrued interest	1,116	748
Total	166,225	152,037

30 Financial liabilities at fair value through profit or loss

	31 December 2019	31 December 2018
Short position in debt securities	100	354
Total	100	354

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	31 December 2019	31 December 2018
In Mainland China		
– Banks	23,064	40,347
Outside Mainland China		
– Banks	2,390	–
– Other financial institutions	131	46
Subtotal	25,585	40,393
Accrued interest	18	18
Total	25,603	40,411

(b) Analysed by collateral

	31 December 2019	31 December 2018
Bank acceptances	10,814	7,336
Debt securities	14,771	33,057
Subtotal	25,585	40,393
Accrued interest	18	18
Total	25,603	40,411

32 Deposits from customers

	31 December 2019	31 December 2018
Demand deposits		
– Corporate customers	783,859	732,628
– Individual customers	217,892	191,592
Subtotal	1,001,751	924,220
Time deposits		
– Corporate customers	1,262,657	990,038
– Individual customers	466,413	320,312
Subtotal	1,729,070	1,310,350
Pledged deposits	232,522	220,284
Other deposits	21,682	83,854
Subtotal deposits from customers	2,985,025	2,538,708
Accrued interest	32,863	33,253
Total	3,017,888	2,571,961

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Accrued staff costs

	Note	31 December 2019	31 December 2018
Salary and welfare payable		6,269	6,904
Pension payable	(a)	620	281
Supplementary retirement benefits payable	(b)	1,118	843
Total		8,007	8,028

Notes:

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labour and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' gross wages in the prior year, which are expensed to profit or loss when the contributions are made.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of the SRB were assessed, using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Wills Towers Watson Management Consulting (Shenzhen) Co.,Ltd..

(i) The details of the Group's supplementary retirement benefits are as follows:

	31 December 2019	31 December 2018
Present value of supplementary retirement benefits liability	1,118	843

(ii) Movements of SRB of the Group are as follows:

	2019	2018
As at 1 January 2019	843	669
Current service costs	77	56
Interest costs	33	30
Recalculation part of the defined benefit plan	180	102
Payments made	(15)	(14)
As at 31 December 2019	1,118	843

Remeasurement of the defined benefit plan was recognised in other comprehensive income. See Note V 41.

(iii) Principal actuarial assumptions of the Group are as follows:

	31 December 2019	31 December 2018
Discount rate	4.00%	4.00%
Medical cost trend rate	5.88%	5.88%
Average expected future lifetime	22.80	22.80

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Accrued staff costs (continued)

Notes: (continued)

(b) Supplementary retirement benefits ("SRB") (continued)

(iv) Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, with other assumptions being constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2019	
	Increases	Decreases
Discount rate (1% movement)	(301)	330
Medical cost trend rate (1% movement)	356	(251)

	31 December 2018	
	Increases	Decreases
Discount rate (1% movement)	(222)	244
Medical cost trend rate (1% movement)	260	(183)

Although the analysis does not take the full expected distribution into account in the future cash flow statement, approximate assumptions can be made about the sensitivity to supplementary retirement benefits.

Except as stated in (a) and (b) above, the Group has no other major responsibilities to pay employee retirement benefits and other post-retirement benefits.

34 Taxes payable

	31 December 2019	31 December 2018
Income tax payable	6,446	3,076
Value added tax payable	2,446	2,169
Others	430	421
Total	9,322	5,666

35 Lease liabilities

	31 December 2019
Within 1 year (inclusive)	2,611
1 to 2 years (inclusive)	2,283
2 to 3 years (inclusive)	1,937
3 to 5 years (inclusive)	2,711
More than 5 years	3,292
Total undiscounted lease liabilities	12,834
Lease liabilities	11,069

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Debt securities issued

	Note	31 December 2019	31 December 2018
Subordinated debts issued	(a)	6,700	6,700
Financial bonds issued	(b)	55,782	54,940
Tier-two capital bonds issued	(c)	39,983	56,170
Convertible bonds issued	(d)	27,547	26,618
Interbank deposits issued	(e)	199,057	265,894
Certificates of deposits issued	(f)	19,249	9,711
Medium term notes	(g)	20,428	16,747
Subtotal		368,746	436,780
Accrued interest		3,158	3,669
Total		371,904	440,449

(a) Subordinated debts issued

	Note	31 December 2019	31 December 2018
Subordinated fixed rate debts maturing in June 2027	(i)	6,700	6,700
Total		6,700	6,700

Notes:

- (i) Fixed rate subordinated debts of RMB6.70 billion with a term of fifteen years were issued on 7 June 2012. The coupon rate is 5.25% per annum. The Group has an option to redeem the debts on 8 June 2022 at the nominal amount.
- (ii) As at 31 December 2019, the fair value of the total subordinated debt issued approximated to RMB6,998 million (31 December 2018: RMB6,960 million).

(b) Financial bonds issued

	Note	31 December 2019	31 December 2018
Financial fixed rate bonds maturing in February 2020	(i)	27,999	27,976
Financial fixed rate bonds maturing in July 2020	(ii)	21,995	21,978
Financial fixed rate bonds maturing in November 2021	(iii)	4,990	4,986
Financial fixed rate bonds maturing in January 2022	(iv)	798	–
Total		55,782	54,940

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Debt securities issued (continued)

(b) Financial bonds issued (continued)

Notes:

- (i) Fixed rate financial bonds of RMB28.00 billion with a term of three years were issued on 23 February 2017. The coupon rate is 4.00% per annum.
- (ii) Fixed rate financial bonds of RMB22.00 billion with a term of three years were issued on 21 July 2017. The coupon rate is 4.20% per annum.
- (iii) Fixed rate financial bonds of RMB5.00 billion with a term of three years were issued by Everbright Financial Leasing on 8 November 2018. The coupon rate is 4.12% per annum.
- (iv) Fixed rate financial bonds of RMB0.80 billion with a term of three years were issued by Everbright Financial Leasing on 18 January 2019. The coupon rate is 3.49% per annum.
- (v) As at 31 December 2019, the fair value of the total financial bonds issued approximated to RMB56,058 million (31 December 2018: RMB55,369 million).

(c) Tier-two capital bonds issued

	Note	31 December 2019	31 December 2018
Tier-two capital fixed rate bonds maturing in June 2024	(i)	–	16,200
Tier-two capital fixed rate bonds maturing in March 2027	(ii)	27,988	27,980
Tier-two capital fixed rate bonds maturing in August 2027	(iii)	11,995	11,990
Total		39,983	56,170

Notes:

- (i) Fixed rate tier-two capital bonds of RMB16.20 billion with a term of ten years were issued on 9 June 2014. The coupon rate was 6.20% per annum. The Group had an option to redeem the debts on 10 June 2019 at the nominal amount. The Group redeemed the bonds on 10 June 2019.
- (ii) Fixed rate tier-two capital bonds of RMB28.00 billion with a term of ten years were issued on 2 March 2017. The coupon rate is 4.60% per annum. The Group has an option to redeem the debts on 6 March 2022 at the nominal amount.
- (iii) Fixed rate tier-two capital bonds of RMB12.00 billion with a term of ten years were issued on 25 August 2017. The coupon rate is 4.70% per annum. The Group has an option to redeem the debts on 29 August 2022 at the nominal amount.
- (iv) As at 31 December 2019, the fair value of the total tier-two capital bonds issued approximated to RMB40,935 million (31 December 2018: RMB56,669 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Debt securities issued (continued)

(d) Convertible bonds issued

	31 December 2019	31 December 2018
Fixed rate six years convertible bonds issued in March 2017	27,547	26,618

The convertible corporate bonds issued have been split into the liability and equity components as follows:

Note	Liability component	Equity component Note V 39	Total
Nominal value of convertible bonds	24,826	5,174	30,000
Direct transaction costs	(64)	(13)	(77)
Balance as at the issuance date	24,762	5,161	29,923
Accumulated amortisation as at 1 January 2019	1,857	–	1,857
Accumulated conversion amount as at 1 January 2019	(1)	–	(1)
Balance as at 1 January 2019	26,618	5,161	31,779
Amortisation during the year	929	–	929
Conversion amount during the year (iv)	–	–	–
Balance as at 31 December 2019	27,547	5,161	32,708

Notes:

- (i) Pursuant to the approval by relevant PRC authorities, on 17 March 2017, the Bank issued A-share convertible bonds with a total nominal amount of RMB30 billion. The convertible bonds have a maturity term of six years from 17 March 2017 to 16 March 2023, and bear a fixed interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The convertible bond holders may exercise their rights to convert the convertible bonds into the Bank's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Bank shall redeem the outstanding convertible bonds at 105% of par value, including interest for the sixth year.
- (ii) During the Conversion Period, if the closing price of the Bank's A Shares is not lower than or equal to 130% of the prevailing conversion price in at least 15 trading days out of any 30 consecutive trading days, subject to the approval by relevant PRC authorities (if needed), the Bank has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest on the first day on which the redemption criteria are met. In case the Bank's conversion price is adjusted due to the ex-right or ex-dividend at these trading days, the pre-adjustment price is calculated at the conversion price and the closing price at the trading day before the adjustment, and the post-adjustment price is calculated at the conversion price and the closing price at the trading day after the adjustment. The Bank also has the right to redeem all the convertible bonds at par value plus accrued interest should the total outstanding amount be less than RMB30 million.
- (iii) Based on the calculation method in the prospectus of the convertible bonds, the initial conversion price is RMB4.36 per share, no less than the average trading price of the Bank's A shares within 30 or 20 trading days before the announcement date of the prospectus (if the stock price is adjusted due to the ex-right or ex-dividend within these 30 or 20 trading days, the pre-adjustment price is calculated at the related adjusted price), the average trading price of the Bank's A shares at the previous trading day, as well as the latest audited net asset value per share and the face value. As at 31 December 2019, the new conversion price is RMB3.97 per share.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Debt securities issued (continued)

(d) Convertible bonds issued (continued)

Notes: (continued)

(iv) As at 31 December 2019, a total of RMB965,000 (31 December 2018: RMB730,000) convertible bonds have been converted into ordinary shares, the cumulative convertible number of shares was 228,101 shares (31 December 2018: 170,354 shares).

(v) In 2019, a total of RMB150 million interest on the convertible bonds was been paid by the Bank (2018: RMB60 million).

(e) Interbank deposits issued

In 2019, 113 interbank deposits were issued by the Bank and measured at amortised cost with a carrying amount of RMB216,490 million (2018: RMB615,500 million). The carrying amount of interbank deposits due in 2019 was RMB285,690 million (2018: RMB631,950 million). As at 31 December 2019, the fair value of outstanding interbank deposits issued was RMB196,493 million (31 December 2018: RMB263,247 million).

(f) Certificates of deposits issued

As at 31 December 2019, the certificates of deposits were issued by the Bank's Hong Kong branch, Seoul branch and Sydney branch measured at amortised cost. The fair value of the certificates of deposits issued approximates to their carrying amount.

(g) Medium term notes

	Note	31 December 2019	31 December 2018
Medium term notes with fixed rate maturing in 15 September 2019	(i)	–	3,423
Medium term notes with fixed rate maturing in 8 March 2020	(ii)	3,472	3,423
Medium term notes with floating rate maturing in 13 June 2020	(iii)	3,484	3,432
Medium term notes with floating rate maturing in 13 June 2021	(iv)	2,342	2,356
Medium term notes with floating rate maturing in 13 June 2021	(v)	2,091	2,059
Medium term notes with floating rate maturing in 19 September 2021	(vi)	2,083	2,054
Medium term notes with floating rate maturing in 24 June 2022	(vii)	3,484	–
Medium term notes with floating rate maturing in 11 December 2022	(viii)	3,472	–
Total		20,428	16,747

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Debt securities issued (continued)

(g) Medium term notes (continued)

Notes:

- (i) Fixed rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 8 September 2016. The coupon rate is 2.00% per annum.
- (ii) Fixed rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 1 March 2017. The coupon rate is 2.50% per annum.
- (iii) Floating rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 6 June 2017. The initial coupon rate is 2.09% per annum.
- (iv) Floating rate medium term notes of EUR300 million with a term of three years were issued by the Bank's Hong Kong branch on 6 June 2018. The initial coupon rate is 0.43% per annum.
- (v) Floating rate medium term notes of USD300 million with a term of three years were issued by the Bank's Hong Kong branch on 6 June 2018. The initial coupon rate is 3.18% per annum.
- (vi) Floating rate medium term notes of USD300 million with a term of three years were issued by the Bank's Hong Kong branch on 12 September 2018. The initial coupon rate is 3.19% per annum.
- (vii) Floating rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 17 June 2019. The initial coupon rate is 3.13% per annum.
- (viii) Floating rate medium term notes of USD500 million with a term of three years were issued by the Bank's Hong Kong branch on 4 December 2019. The initial coupon rate is 2.59% per annum.
- (ix) As at 31 December 2019, the fair value of the medium term notes approximated to RMB20,478 million (31 December 2018: RMB16,689 million).

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Other liabilities

	Note	31 December 2019	31 December 2018
Deferred income	37(a)	6,710	6,808
Bank loans	37(b)	17,597	5,744
Deferred emoluments payment	37(c)	5,660	5,078
Finance lease payables		4,876	3,750
Provisions	37(d)	2,751	2,258
Payment and collection clearance accounts		1,761	908
Dormant accounts		354	310
Dividend payables		21	21
Deferred tax liabilities	24	1	–
Others		14,477	19,443
Total		54,208	44,320

Notes:

- (a) Deferred income primarily comprised the deferred credit card income and deferred revenue of credit card points.
- (b) As at 31 December 2019, the Group's subsidiary, Everbright Financial Leasing, borrowed long-term loans with terms from 1 to 9 years. Everbright Financial Leasing should repay capital with interest quarterly. The amount of the long-term bank loan was RMB17,597 million (31 December 2018: RMB5,744 million).
- (c) As at 31 December 2019, the deferred emolument payment amounted to RMB5,660 million (31 December 2018: RMB5,078 million), which is related to deferred emoluments payment to employees in respect of services provided to the Group. Such amount will be distributed according to plans.
- (d) As at 31 December 2019, the accruals for litigation losses estimated by the Group based on the status of outstanding litigation cases and the probability of losses amounted to RMB255 million (31 December 2018: RMB147 million).

38 Share capital

The Bank's shareholding structure as at the end of the year is as follows:

	31 December 2019	31 December 2018
Ordinary shares listed in Mainland China (A share)	39,810	39,810
Ordinary shares listed in Hong Kong (H share)	12,679	12,679
Total	52,489	52,489

The H shares rank pari passu in all respects with the A shares including the right to all dividend distributions declared, paid or made.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Other equity instruments

	Note V	31 December 2019	31 December 2018
Preference shares (Notes(a), (b), (c), (d))		64,906	29,947
Equity of convertible bonds	36(d)	5,161	5,161
Total		70,067	35,108

(a) Preference shares at the end of the year

Issue date	Dividend rate	Issue price (RMB/share)	Number of shares issued (million)	Issue amount (RMB million)	Conversion condition
Everbright P1 2015-6-19	5.30%	100	200	20,000	Mandatory conversion triggering events
Everbright P2 2016-8-8	3.90%	100	100	10,000	Mandatory conversion triggering events
Everbright P3 2019-7-15	4.80%	100	350	35,000	Mandatory conversion triggering events
SubTotal				65,000	
Less: Issuing costs				(94)	
Book value				64,906	

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Other equity instruments

(b) Main clauses

(i) *Dividend*

Fixed rate for the first 5 years after issuance.

Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread.

The fixed spread equals the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares.

(ii) *Conditions for distribution of dividends*

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The Group may elect to cancel any dividend, but such cancellation requires a shareholders' resolution to be passed.

(iii) *Dividend blocker*

If the Group cancels all or part of the dividends to the preference shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the preference shareholders in full.

(iv) *Order of distribution and liquidation method*

The preference shareholders are subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier-two capital bonds and holders of convertible bonds, but will be senior to the ordinary shareholders.

(v) *Mandatory conversion triggering events*

Upon the occurrence of an Additional Tier-one Capital Trigger Event (Common equity tier-one capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the preference shares into A shares, in order to restore the Common equity tier-one capital Adequacy Ratio of the Group to above 5.125%; If preference shares were converted to A shares, they could not be converted to preference shares again.

Upon the occurrence of a Non-Viability Triggering Event (Earlier of the two situations: (1) CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; and (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all preference shares into A shares.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Other equity instruments (continued)

(b) Main clauses (continued)

(vi) Redemption

Subject to the prior approval of the CBIRC and the satisfaction of the relevant requirements, the Group shall have the right to redeem all or part of the preference shares on any redeemable day (the payment date for dividends of the preference shares each year) after the fifth year following the completion date of the issuance of the preference shares. The specific commencement date of the redemption period shall be determined by the Board in line with market conditions, subject to authorisation at a shareholders' general meeting (the authorisation can be further delegated). The redemption period for the preference shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the preference shares. Where redemption is in part, the preference shares shall be redeemed based on the same proportion and conditions. Preference shares shall be redeemed in cash. The redemption price shall be the par value plus the dividend declared but unpaid for the relevant period.

(c) Changes in preference shares outstanding

	1 January 2019		Additions for the year		31 December 2019	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference shares	300	29,947	350	34,959	650	64,906

	1 January 2018		Additions for the year		31 December 2018	
	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value	Number of shares (million)	Carrying value
Preference shares	300	29,947	–	–	300	29,947

(d) Interests attributable to equity instruments' holders

Items	31 December 2019	31 December 2018
Total equity attributable to equity shareholders of the Bank	384,982	321,488
– Equity attributable to ordinary shares holders of the Bank	320,076	291,541
– Equity attributable to preference shares holders of the Bank	64,906	29,947
Total equity attributable to non-controlling interests	1,072	985
– Equity attributable to non-controlling interests of ordinary shares	1,072	985
– Equity attributable to non-controlling interests of preference shares	–	–

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Capital reserve

	31 December 2019	31 December 2018
Share premium	53,533	53,533

41 Other comprehensive income

	31 December 2019	31 December 2018
Items that will not be reclassified to profit or loss		
Fair value changes on equity instruments at fair value through other comprehensive income	14	10
Remeasurement of a defined benefit plan	(303)	(123)
Subtotal	(289)	(113)
Items that will be reclassified to profit or loss		
Debt instruments at fair value through other comprehensive income	2,959	1,748
– Net change in fair value	1,998	1,094
– Net change in expected credit losses	961	654
Exchange differences on translation of financial statements	67	20
Subtotal	3,026	1,768
Total	2,737	1,655

Other comprehensive income attributable to equity holders of the Bank in the consolidated statement of financial position:

	Fair value change on debt instruments at fair value through other comprehensive income	Net change in ECL on debt instruments at fair value through other comprehensive income	Fair value change on equity instruments at fair value through other comprehensive income	Exchange differences on translation of financial statements of overseas subsidiaries	Remeasurement of a defined benefit plan	Total
As at 1 January 2018	(1,948)	887	8	(46)	(21)	(1,120)
Changes in amount for the previous year	3,042	(233)	2	66	(102)	2,775
As at 1 January 2019	1,094	654	10	20	(123)	1,655
Changes in amount for the year	904	307	4	47	(180)	1,082
As at 31 December 2019	1,998	961	14	67	(303)	2,737

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Surplus reserve and general reserve

(a) Surplus reserve

The surplus reserve at the end of the reporting year represented statutory surplus reserve fund. The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated losses, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

The Bank is required, in principle, to set aside a general reserve, through appropriation of profit after tax, with an amount of not lower than 1.5% of the ending balance of its gross risk-bearing assets.

43 Appropriation of profits

(a) At the Board Meeting held on 27 March 2020, the Board of Directors approved the following profit appropriations for the year ended 31 December 2019:

- Appropriated RMB1,874 million (5.12% of the net profit of the Bank) to surplus reserve, the accumulated amount of withdrawal has reached 50% of the Bank's registered capital;
- Appropriated RMB5,380 million to general reserve;
- The 2019 annual dividend of RMB769 million should be paid to third preference shareholders in cash dividend RMB2.20 per share before tax based on the coupon dividend yield of 4.80%; and
- Declared cash dividends of RMB11,233 million to all ordinary shareholders of 52,489 million shares representing RMB2.14 per 10 shares before tax.

(b) At the Annual General Meeting of shareholders held on 30 May 2019, the shareholders approved the following profit appropriations for the year ended 31 December 2018:

- Appropriated RMB3,317 million (10% of the net profit of the Bank) to surplus reserve;
- Appropriated RMB1,701 million to general reserve; and
- Declared cash dividends to all ordinary shareholders of RMB8,451 million representing RMB1.61 per 10 shares before tax.

(c) At the Board Meeting held on 30 May 2019, the dividend distribution of the Everbright P1 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB1,060 million representing RMB5.30 per share before tax, accruing from 25 June 2018, and are calculated using 5.30% of dividend yield ratio for the Everbright P1.

(d) At the Board Meeting held on 30 July 2019, the dividend distribution of the Everbright P2 was approved by the Board of Directors:

- Declared cash dividends to preference shareholders of RMB390 million representing RMB3.90 per share before tax, accruing from 13 August 2018, and are calculated using 3.90% of dividend yield ratio for the Everbright P2.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Involvement with structured entities

(a) Structured entities sponsored by third party institutions in which the Group holds an interest:

The types of structured entities that the Group does not consolidate but in which it holds an interest include fund investments and asset management plans at fair value through profit or loss, asset management plans and asset-backed securities at amortised cost. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in unconsolidated structured entities sponsored by third party institutions as at the end of the year:

	31 December 2019		31 December 2018	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss				
– Fund investments	159,760	159,760	180,633	180,633
– Asset management plans	18,686	18,686	8,693	8,693
Financial investments measured at amortised cost				
– Asset management plans	256,569	256,569	418,639	418,639
– Asset-backed securities	119,439	119,439	31,509	31,509
Total	554,454	554,454	639,474	639,474

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2019, the carrying amounts of the investments in the notes issued by these structured entities and management fee receivables being recognised are not material in the statement of financial position.

As at 31 December 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group is RMB778,837 million (31 December 2018: RMB689,002 million). The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 amounted to RMB771 million (2018: RMB18,124 million).

In 2019, the amount of fee and commission income received from the unconsolidated structured entities by the Group amounted to RMB634 million (2018: RMB876 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Involvement with structured entities (continued)

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in: (continued)

For the purpose of asset-liability management, wealth management products may cause short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into placements transactions with these wealth management products in accordance with market principles. Such financing provided by the Group was included in “Placements with banks and other financial institutions”. As at 31 December 2019, the balance of above trading was RMB9,106 million (31 December 2018: RMB15,230 million). The maximum exposure to loss of those placements approximated to the carrying amount. In 2019, the amount of interest receivables provided by the above financing being recognised was not material for the Group in the statement of profit or loss.

In addition, as at 31 December 2019, the Group held interests in the unconsolidated structured entities of asset securitisation transactions. Refer to Note V 45. In 2019, the Group’s income from these structured entities was immaterial.

(c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products and certain asset management plans and trust plans. Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor’s principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial asset and financial liability items based on the nature of the assets and liabilities. The Group controls these entities when the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group’s returns.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial de-recognition of the financial assets concerned in accordance with IFRSs. In other cases where the transferred assets do not qualify for de-recognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Credit assets backed securitisation

The Group enters into credit assets transfers in the normal course of business during which it transfers credit assets to structured entities which in turn issue asset-backed securities to investors. The Group may acquire some asset-backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB13 million as at 31 December 2019 (31 December 2018: RMB118 million).

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. As at 31 December 2019, the credit assets backed securities which the Group has continuing involvement have been liquidated.

Transfer of right to earnings

The Group enters into transactions of transfer of right to earnings of credit assets in the normal course of business by which it transfers the right to earnings to structured entities which sell share of trust to investors.

With respect to the credit assets that were transfer and qualified for de-recognition, the Group derecognised the transferred credit assets in their entirety. As at 31 December 2019, the Group held no share in corresponding transaction.

As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and it has retained control on them, these financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets. As at 31 December 2019, loans with an original carrying amount of RMB2,590 million (31 December 2018: RMB3,776 million) had been transferred by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches, which were accounted for in other assets and other liabilities. As at 31 December 2019, the carrying amount of assets that the Group continues to recognise was RMB614 million (31 December 2018: RMB1,097 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines. The capital of the Group is divided into common equity tier-one capital, additional tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading global banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio. The required information is filed with the CBIRC by the Group and the Bank semi-annually and quarterly.

With effect from 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". For systemically important banks, each bank is required to maintain the common equity tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of at least 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for common equity tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their respective local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets for over-the-counter (OTC) derivatives are the summation of default risk-weighted assets and credit value adjustment (CVA). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The Group's capital adequacy ratio and related information are calculated on the basis of financial statements prepared in accordance with PRC GAAP. During the year, the Group complied with the capital requirements imposed by the regulatory authorities.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with “Regulation Governing Capital of Commercial Banks (provisional)” and relevant requirements.

	31 December 2019	31 December 2018
Total common equity tier-one capital	320,793	292,093
Share capital	52,489	52,489
Qualifying portions of capital reserve, other equity instruments and other comprehensive income	61,431	60,349
Surplus reserve	26,245	24,371
General reserve	59,417	54,036
Retained earnings	120,494	100,296
Qualifying portions of non-controlling interests	717	552
Common equity tier-one capital deductions	(2,930)	(2,455)
Goodwill	(1,281)	(1,281)
Other intangible assets other than land use rights	(1,646)	(1,171)
Net deferred tax assets arising from operating losses that depend on future profits	(3)	(3)
Net common equity tier-one capital	317,863	289,638
Additional tier-one capital	65,002	30,021
Additional tier-one capital instruments	64,906	29,947
Qualifying portions of non-controlling interests	96	74
Tier-one capital net	382,865	319,659
Tier-two capital	82,640	92,353
Qualifying portions of tier-two capital instruments issued and share premium	46,683	62,870
Excess loan loss provisions	35,766	29,336
Qualifying portions of non-controlling interests	191	147
Net capital base	465,505	412,012
Total risk-weighted assets	3,456,054	3,166,668
Common equity tier-one capital adequacy ratio	9.20%	9.15%
Tier-one capital adequacy ratio	11.08%	10.09%
Capital adequacy ratio	13.47%	13.01%

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47 Notes to consolidated cash flow statement

(a) Net change in cash and cash equivalents

	31 December 2019	31 December 2018
Cash and cash equivalents as at 31 December	117,499	187,680
Less: Cash and cash equivalents as at 1 January	187,680	147,923
Net (decrease)/increase in cash and cash equivalents	(70,181)	39,757

(b) Cash and cash equivalents

	31 December 2019	31 December 2018
Cash on hand	4,355	4,721
Deposits with the central bank	57,546	103,684
Deposits with banks and other financial institutions	26,581	34,686
Placements with banks and other financial institutions	29,017	44,589
Total	117,499	187,680

48 Related party relationships and transactions

(a) The immediate and ultimate parent companies

The immediate and ultimate parents of the Group are China Everbright Group Ltd. (“China Everbright Group”) and China Investment Corporation, respectively.

The uniform social credit code of China Everbright Group is 91100000102063897J, and the transactions and balances with China Everbright Group and its affiliates are listed in Note V 48(b) (ii).

Notes to the Consolidated Financial Statements

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties

(i) Information of other related parties

Other related parties having transactions with the Group:

Related party	Relationship with the Group
Affiliated companies	
– China Everbright Limited	Shareholder, affiliate of China Everbright Group Ltd.
– Everbright Securities Co.,Ltd (“Everbright Securities”).	Affiliate of China Everbright Group Ltd.
– China Everbright Group Limited	Affiliate of China Everbright Group Ltd.
– China Everbright Industry (Group) Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Shanghai Everbright Convention and Exhibition Centre Limited	Affiliate of China Everbright Group Ltd.
– China Everbright Investment and Assets Management Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Real Estate Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Financial Holding Asset Management Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Sun Life Everbright Life Insurance Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– China Everbright Xinglong Trust Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Pramerica Fund Management Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Futures Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Fortune Investment Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Capital Investment Management Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Happy Life International Leasing Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Sun Life Everbright Asset Management Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Yunfu Internet Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– China Everbright International Trust & Investment Co.,Ltd.	Affiliate of China Everbright Group Ltd.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties (continued)

(i) Information of other related parties (continued)

Other related parties having transactions with the Group: (continued):

Related party	Relationship with the Group
Affiliated companies (continued)	
– Everbright Jin'ou Asset Management Limited	Affiliate of China Everbright Group Ltd.
– Everbright Industrial Capital Management (Tianjin) Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Securities Finance Holding Limited	Affiliate of China Everbright Group Ltd.
– China Youth Travel Service (Group) Co., Ltd	Affiliate of China Everbright Group Ltd.
– Cachet Pharmaceutical Company Limited	Affiliate of China Everbright Group Ltd.
– China Youth Travel Service Limited	Affiliate of China Everbright Group Ltd.
– Everbright Technology Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Happiness International Commercial Factoring Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Sunshine Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Ningbo Jin'ou Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Guokaitai Industrial Development Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Zhongqing Chuangyi Investment Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Shenzhen Qianhai Everbright Investment Management Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– China Everbright Securities Asset Management Co., Ltd.	Affiliate of China Everbright Group Ltd.
– China Everbright Senior Healthcare Co.,Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Culture Investment Co., Ltd.	Affiliate of China Everbright Group Ltd.
– Everbright Development Investment Co., Ltd.	Affiliate of China Everbright Group Ltd.
–Beijing Caiwan Internet Information Service Co., Ltd	Affiliate of China Everbright Group Ltd.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties (continued)

(i) *Information of other related parties* (continued)

Other related parties having transactions with the Group: (continued):

Related party	Relationship with the Group
Other related parties	
– Overseas Chinese Town Holding Company	Shareholder, common key management
– China Shipping (Group) Company	Common key management
– Shanghai International Trust Co.,Ltd.	Common key management
– Haitong Securities Co.,Ltd.	Common key management
– China UnionPay Co.,Ltd.	Common key management
– Orient Securities Co.,Ltd.	Common key management
– Konka Group Co.,Ltd	Common key management
– China Pacific Property Insurance Co.,Ltd.	Common key management
– China Pacific Life Insurance Co.,Ltd.	Common key management
– First-trust Fund Management Co.,Ltd.	Common key management
– COSCO Shipping Development Co.,Ltd.	Common key management
– China COSCO Shipping Co.,Ltd.	Common key management
– Shenergy Group Co.,Ltd.	Common key management
– Bohai Securities Co., Ltd.	Common key management
– Shanghai Gas (Group) Co., Ltd.	Common key management
– China Marine Bunker (PetroChina) Co., Ltd.	Common key management
– Shenzhen Guangming Group Co., Ltd.	Common key management
– Shenzhen Vphonor Information Technology Co., Ltd.	Common key management
– Shanghai Zhongbo Enterprise Management Development Co.,Ltd.	Common key management
– Shanghai Insurance Exchange Co.,Ltd.	Common key management
– Beijing Jingneng Clean Energy Co.,Ltd.	Common key management
– Shijiazhuang Hualin Food Co.,Ltd.	Common key management
– Zhengzhou Chemical Light Industry Co.,Ltd.	Common key management

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties (continued)

(ii) Related party transactions

The Group's material transactions and balances with China Everbright Group and the above related parties during the year are summarised as follows:

	China Everbright Group (Note V48(a))	Affiliated Companies	Others	Total
Transactions with related parties in 2019:				
Interest income	–	533	501	1,034
Interest expense	(159)	(371)	(331)	(861)
Balances with related parties as at 31 December 2019:				
Placements with banks and other financial institutions	–	508	2,002	2,510
Derivative financial assets	–	–	12	12
Loans and advances to customers	–	7,251	9,064	16,315
Financial assets at fair value through profit or loss	–	7,727	–	7,727
Debt instruments at fair value through other comprehensive income	178	385	–	563
Equity instruments at fair value through other comprehensive income	–	–	98	98
Financial investments at amortised cost	–	113,480	256	113,736
Other assets	–	3,261	–	3,261
Total	178	132,612	11,432	144,222
Deposits from banks and other financial institutions	–	3,147	1,528	4,675
Derivative financial liabilities	–	–	11	11
Deposits from customers	4,652	15,696	35,638	55,986
Other liabilities	–	693	167	860
Total	4,652	19,536	37,344	61,532
Significant other sheet items with related parties as at 31 December 2019:				
Guarantee granted (Note)	180	–	–	180

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Related party relationships and transactions (continued)

(b) Transactions between the Group and other related parties (continued)

(ii) *Related party transactions* (continued)

The Group's material transactions and balances with China Everbright Group and the above related parties during the year are summarised as follows (continued):

	China Everbright Group (Note V 48(a))	Affiliated Companies	Others	Total
Transactions with related parties in 2018:				
Interest income	–	368	134	502
Interest expense	(48)	(405)	(471)	(924)
Balances with related parties as at 31 December 2018:				
Placements with banks and other financial institutions	–	1,001	–	1,001
Derivative financial assets	–	–	5	5
Financial assets held under resale agreements	–	–	292	292
Loans and advances to customers	–	7,911	6,330	14,241
Financial assets at fair value through profit or loss	–	14,296	–	14,296
Debt instruments at fair value through other comprehensive income	301	1,209	171	1,681
Equity instruments at fair value through other comprehensive income	–	–	98	98
Financial investments at amortised cost	–	194,750	138	194,888
Other assets	–	682	200	882
Total	301	219,849	7,234	227,384
Deposits from banks and other financial institutions				
	–	1,911	1,473	3,384
Derivative financial liabilities	–	–	4	4
Deposits from customers	6,402	14,665	20,051	41,118
Total	6,402	16,576	21,528	44,506
Significant other sheet items with related parties as at 31 December 2018:				
Guarantee granted (Note)	180	–	–	180
Investment in shares of structured entities sponsored by the Group				
	–	67	–	67

Note: As at 31 December 2019, the Bank had guarantee obligations relating to China Everbright Group's outstanding interest obligation of RMB180 million (31 December 2018: RMB180 million) due to one of the state-owned commercial banks.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Related party relationships and transactions (continued)

(c) China Investment Corporation, Central Huijin Investment Ltd. and its affiliates

Approved by the State Council of the PRC, China Investment Corporation (“CIC”) was established on 29 September 2007 with registered capital of USD200 billion. Central Huijin Investment Ltd. (“Huijin”) is a wholly-owned subsidiary of CIC and exercises its rights and obligations as an investor on behalf of CIC.

Huijin was incorporated as a wholly state-owned investment company on 16 December 2003. It was registered in Beijing with registered capital of RMB828,209 million. Apart from equity investments as authorised by the State Council of the PRC, it does not engage in any other commercial operations.

The Group’s transactions with CIC, Huijin and its affiliates mainly include deposit taking, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts, financial bonds, convertible bonds, interbank deposits and certificates of deposits which are bearer bonds tradable in the secondary market. Accordingly, the Group had no information in respect of the amount of the debts held by these banks and other financial institutions as at the end of the year.

The Group’s material transactions with CIC, Huijin and its affiliates during the year are summarised as follows:

	2019	2018
Interest income	1,051	1,556
Interest expense	(3,548)	(4,183)

The Group’s material balances with CIC, Huijin and its affiliates during the year are summarised as follows:

	31 December 2019	31 December 2018
Deposits with banks and other financial institutions	9,552	12,983
Precious metals	51	–
Placements with banks and other financial institutions	13,909	17,941
Derivative financial assets	3,764	4,098
Financial assets held under resale agreements	997	5,201
Loans and advances to customers	694	2,388
Financial assets at fair value through profit or loss	36,270	28,663
Debt instruments at fair value through other comprehensive income	27,611	27,310
Financial investments measured at amortised cost	106,537	67,966
Other assets	419	609
Deposits from banks and other financial institutions	81,621	76,488
Placements from banks and other financial institutions	70,629	58,276
Derivative financial liabilities	3,678	3,948
Financial assets sold under repurchase agreements	2,970	4,455
Deposits from customers	14,586	19,952
Other liabilities	30	11

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48 Related party relationships and transactions (continued)

(d) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“state-owned entities”). Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; sale, purchase, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group’s banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group’s pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether or not the customers are state-owned entities. Having considered the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(e) Key management personnel

	2019 RMB’000	2018 RMB’000
Remuneration	30,970	19,199
Retirement benefits	1,037	1,165
– Basic social pension insurance	567	691

The total compensation packages for senior management of the Group for the year ended 31 December 2019 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group’s and the Bank’s 2019 financial statements.

(f) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance, with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	31 December 2019 RMB’000	31 December 2018 RMB’000
Aggregate amount of relevant loans outstanding as at the year end	8,867	9,041
Maximum aggregate amount of relevant loans outstanding during the year	8,994	9,247

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49 Statement of financial position of the Bank

	Note V	31 December 2019	31 December 2018
Assets			
Cash and deposits with the central bank		364,184	366,418
Deposits with banks and other financial institutions		28,648	39,243
Precious metals		10,826	23,628
Placements with banks and other financial institutions		60,466	98,057
Derivative financial assets		13,754	15,112
Financial assets held under resale agreements		6,709	37,348
Loans and advances to customers		2,642,764	2,361,930
Financial investments		1,425,223	1,295,523
– Financial assets at fair value through profit or loss		207,634	221,059
– Debt instruments at fair value through other comprehensive income		175,565	150,244
– Equity instruments at fair value through other comprehensive income		618	362
– Financial investments measured at amortised cost		1,041,406	923,858
Investments in subsidiaries	20	12,383	7,383
Fixed assets		14,041	12,721
Right-of-use assets		11,599	–
Goodwill		1,281	1,281
Deferred tax assets		15,446	10,194
Other assets		34,243	18,617
Total assets		4,641,567	4,287,455
Liabilities and equity			
Liabilities			
Due to the central bank		224,758	267,143
Deposits from banks and other financial institutions		450,716	492,275
Placements from banks and other financial institutions		108,045	102,908
Derivative financial liabilities		13,821	14,291
Financial assets sold under repurchase agreements		24,542	40,364
Deposits from customers		3,016,555	2,570,877
Accrued staff costs		7,834	7,880
Taxes payable		8,729	5,260
Lease liabilities		10,986	–
Debts securities issued		366,061	435,435
Other liabilities		28,218	32,172
Total liabilities		4,260,265	3,968,605
Equity			
Share capital		52,489	52,489
Other equity instruments		70,067	35,108
of which: preference shares		64,906	29,947
Capital reserve		53,533	53,533
Other comprehensive income		2,617	1,791
Surplus reserve		26,245	24,371
General reserve		58,523	53,143
Retained earnings		117,828	98,415
Total equity		381,302	318,850
Total liabilities and equity		4,641,567	4,287,455

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Segment reporting

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, cash management services, financial consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, bank card business, personal wealth management services, remittance services and securities agency services.

Financial market business

This segment covers the Group's financial market business. The financial market business enters into inter-bank money market transactions, repurchases transactions and inter-bank investments. It also trades in debt securities, derivatives and foreign currency trading for its own accounts. The financial market business segment also covers customer-driven derivatives and foreign currency trading, as well as management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent equity investments and related income.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred to acquire property and equipment, intangible assets and other long-term assets.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Segment reporting (continued)

(a) Segment results, assets and liabilities

	2019				
	Corporate banking	Retail banking	Financial market business	Others	Total
Operating income					
External net interest income	25,445	55,890	20,583	–	101,918
Internal net interest income/ (expense)	21,510	(17,459)	(4,051)	–	–
Net interest income	46,955	38,431	16,532	–	101,918
Net fee and commission income	6,100	16,115	954	–	23,169
Net trading gains	–	–	585	–	585
Dividend income	–	–	–	42	42
Net (losses)/gains arising from investment securities	(862)	6	5,660	96	4,900
Foreign exchange gains	297	75	967	–	1,339
Other net operating income	785	56	67	78	986
Operating income	53,275	54,683	24,765	216	132,939
Operating expenses	(15,703)	(20,465)	(2,136)	(125)	(38,429)
Operating profit before impairment	37,572	34,218	22,629	91	94,510
Credit impairment losses	(20,562)	(28,306)	(97)	–	(48,965)
Other impairment losses	(340)	(15)	–	(27)	(382)
Profit before tax	16,670	5,897	22,532	64	45,163
Other segment information					
– Depreciation and amortisation	2,072	2,360	232	–	4,664
– Capital expenditure	2,284	1,976	188	–	4,448
	31 December 2019				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	1,938,565	1,276,983	1,499,765	531	4,715,844
Segment liabilities	2,405,750	779,244	1,157,929	4,432	4,347,355

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	2018				Total
	Corporate banking	Retail banking	Financial market business	Others	
Operating income					
External net interest income	23,034	47,890	7,240	–	78,164
Internal net interest income/ (expense)	15,716	(14,998)	(718)	–	–
Net interest income	38,750	32,892	6,522	–	78,164
Net fee and commission income	5,542	13,485	746	–	19,773
Net trading gains	–	–	1,071	–	1,071
Dividend income	–	–	–	8	8
Net (losses)/gains arising from investment securities	(298)	6	10,163	(9)	9,862
Foreign exchange gains	279	83	362	–	724
Other net operating income	563	52	71	98	784
Operating income	44,836	46,518	18,935	97	110,386
Operating expenses	(14,708)	(16,887)	(2,019)	(92)	(33,706)
Operating profit before impairment	30,128	29,631	16,916	5	76,680
Credit impairment losses	(22,086)	(12,776)	(882)	–	(35,744)
Other impairment losses	(84)	–	–	–	(84)
Profit before tax	7,958	16,855	16,034	5	40,852
Other segment information					
– Depreciation and amortisation	1,000	1,045	119	–	2,164
– Capital expenditure	3,358	634	71	–	4,063
	31 December 2018				
	Corporate banking	Retail Banking	Financial market business	Others	Total
Segment assets	1,705,352	1,174,769	1,464,480	656	4,345,257
Segment liabilities	2,067,338	662,614	1,300,411	4,475	4,034,838

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Reconciliation between segment assets, liabilities and total assets and total liabilities:

	Note V	31 December 2019	31 December 2018
Segment assets		4,715,844	4,345,257
Goodwill	23	1,281	1,281
Deferred tax assets	24	16,306	10,794
Total assets		4,733,431	4,357,332
Segment liabilities		4,347,355	4,034,838
Dividend payables	37	21	21
Deferred tax liabilities	37	1	–
Total liabilities		4,347,377	4,034,859

(b) Geographical information

The Group operates principally in China with branches located in main provinces, autonomous regions and municipalities directly under the central government. Also, the Group has set up branches in Hong Kong, Luxembourg, Seoul and Sydney, and with subsidiaries located in Wuhan city of Hubei Province, Shaoshan city of Hunan Province, Huai'an city of Jiangsu Province, Ruijin city of Jiangxi Province, Qindao city of Shandong Province, Hong Kong and Luxembourg.

Non-current assets include fixed assets, right-of-use assets, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the branches which generate income.

Geographical areas, as defined for management reporting purposes, are as follows:

- “Yangtze River Delta” refers to the areas serviced by the following branches of the Bank and Huai’an Everbright Bank: Shanghai, Nanjing, Hangzhou, Suzhou, Ningbo and Wuxi;
- “Pearl River Delta” refers to the areas serviced by the following branches of the Bank: Guangzhou, Shenzhen, Fuzhou, Xiamen and Haikou;
- “Bohai Rim” refers to the areas serviced by the following branches of the Bank and Everbright Wealth: Beijing, Tianjin, Shijiazhuang, Jinan, Qingdao and Yantai.
- “Central” refers to the areas serviced by the following branches of the Bank, Everbright Financial Leasing, Shaoshan Everbright and Ruijin Everbright: Zhengzhou, Taiyuan, Changsha, Wuhan, Hefei and Nanchang;
- “Western” refers to the areas serviced by the following branches of the Bank: Xi’an, Chengdu, Chongqing, Kunming, Nanning, Hohhot, Urumchi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;
- “Northeastern” refers to the areas serviced by the following branches of the Bank: Heilongjiang, Changchun, Shenyang and Dalian;

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50 Segment reporting (continued)

(b) Geographical information (continued)

- “Overseas” refers to the areas serviced by the following subsidiaries and branches of the Bank: Hong Kong, Seoul, Luxembourg and Sydney; and
- “Head Office” refers to the head office of the Bank.

	Operating Income								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North eastern	Over – seas	Head Office	
2019	23,837	18,419	20,936	22,031	15,912	6,638	2,258	22,908	132,939
2018	18,056	14,180	16,163	16,125	12,111	5,198	1,652	26,901	110,386

	Non-current assets (Note(i))								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	North eastern	Over – seas	Head Office	
31 December 2019	3,729	3,244	3,782	8,568	2,843	1,539	566	8,489	32,760
31 December 2018	2,526	1,190	839	6,531	1,212	904	117	6,187	19,506

Note:

(i) Including fixed assets, right-of-use assets, intangible assets and land use rights.

51 Risk management

The Group’s primary risk management objectives are to maximise value for equity holders while maintaining risk within acceptable parameters, optimising capital allocation and satisfying the requirements of the regulatory authorities, the Group’s depositors and other stakeholders for the Group’s prudent and stable development.

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group’s exposure to each of the above risks and their sources, and the Group’s objectives, policies and procedures for measuring and managing these risks.

The Group’s risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. Senior management is responsible for the implementation of the development strategy, risk strategy and risk management policies set by the board of directors. Senior management is responsible for the improvement of risk management system and establishment of risk management policies and rules. Senior management is responsible for establishment of procedures and standards to identify, measure, evaluate, monitor and control credit risks. Also, Senior management is responsible for the management of all types of risks and ensure that the business activities of the Bank are consistent with the risk strategy, risk appetite and risk policies adopted by the board of directors.

The business lines of the Group are directly responsible for the management of credit risk. The Risk Management Department is responsible for the development of risk management policies and procedures, and is responsible for the monitoring and management of credit risks. The Internal Audit Department is responsible for auditing the performance of duties of business lines and the Risk Management Department, specifically as follows:

- The Corporate Banking Department, Strategic Customer and Investment Banking Department, Inclusive Finance Department, Credit Card Centre, Retail Banking Department and other business lines carry out corporate and retail business in accordance with the risk management policies and procedures of the Group. The business lines are directly responsible for the management of credit risk, and they are the first line of defence of internal control. The business lines independently control the customer relationship and the whole process of specific business in its duration, and they are firstly responsible for the compliance and security of the business.
- The main responsible departments for credit risk management are the Risk Management Department, Credit Approval Department, Risk Monitoring Department, and Special Assets Management Department. They are the second line of defence of internal control in credit risk management, and they are responsible for the overall supervision of credit risk management. The functional departments of credit risk management determine their functional positioning in accordance with the basic procedures of “Policy and technology – Investigation and approval – During and post-lending monitoring – Collection and Resolution”.
- The Internal Audit Department is the third line of defence of credit risk management, and undertakes the responsibility of supervision and performance evaluation.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

For corporate businesses, the Group has established industry-specific limits for credit and investment approval. It has put in place dynamic monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, loan payment and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, the Group has established standardised systems and procedures for credit evaluation and approval in accordance with the principle of separation of duties for approval and lending as well as the hierarchical approval principle. All credit applications are approved by designated credit officers. In the loan payment phase, an independent responsible department has been established to manage and control the payment of the loan, ensuring that the payment conforms with the intended use of the loan approved. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, the Group implements control processes of "separation of review and approval, separation of approval and lending, separation of approval and mortgage registration, and separation of loan management and archival keeping" to effectively control the operational risk. During the pre-loan process, client managers are required to assess the income level, credit history, and repayment ability of the applicant to strengthen the credit evaluation of the applicant. During the review and approval process, the client managers forward the application and their recommendations to the loan-approval departments for further approval, standardised review and approval policies and processes in accordance with the principle of "separation of review and approval" and "hierarchical approval" have been established for this process. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process in accordance with its standardised loan recovery procedures.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Credit business (continued)

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. The Group measures and manages the quality of the credit assets of the Group in accordance with the Guidelines of the Risk Classification of Loan.

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The Bank implemented a customer credit rating system based on the PD model. The PD model uses the principle of logistic regression to predict the PD for customers in the coming year. According to the calculated PD value, the risk rating of the customer is obtained through the relevant mapping relationship table. The Group conducts recheck and optimization testing of the model according to the customer's actual default each year to better identify the credit risk.

The customer credit ratings in the internal model are based on four categories of A, B, C and D which are further classified into twenty four grades as AAA+, AAA, AAA-, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C and D. Credit grading D equates to defaulted customers while the others are assigned to performing customers.

Management periodically reviews various elements of the Group's credit risk management process, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry limits and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the Group's security position.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Treasury business

The Group sets credit limits for treasury operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic and real-time basis, and credit limits are reviewed and revised regularly.

Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the probability of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the end of the reporting year are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting year, the impairment allowance was measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the end of the reporting year, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group measures the impairment allowance of the financial instruments at the end of the reporting year according to the ECL in the next 12 months.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in ECL after initial recognition at the end of the reporting year as impairment allowance. At the end of each reporting year, the Group recognises the amount of the changes in ECL as an impairment loss or gain in profit or loss.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contract cash flows

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting year. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group and external credit risk rating. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the year with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the decrease in customer rating is considered significant, compared with the one at initial recognition

Qualitative criteria

- Significant adverse change in debtor's operation or financial status
- Be classified into Special Mention category within the five-tier loan classification

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, repayments.) and forward-looking information in order to establish the model of PD, LGD and EAD.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Parameters of ECL measurement (continued)

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment.
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments.
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, PPI, CPI, Investment in fixed assets, Home price index, Aggregate financing to the real economy.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group combined a statistical model and experts' judgement in this process, according to the result of the model and experts' judgement, the Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines a statistical model with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage 1) or lifetime (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Measurement of ECL (continued)

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the de-recognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in de-recognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 to Stage 1, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets, including derivative financial instruments. The maximum exposure to credit risk in respect of the items in the statement of financial position as at the end of the year is disclosed in Note V 54(a).

	31 December 2019				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Cash and deposits with the central bank	364,340	–	–	–	364,340
Deposits with banks and other financial institutions	31,358	–	–	–	31,358
Placements with banks and other financial institutions	60,000	270	–	–	60,270
Financial assets held under resale agreements	6,835	–	–	–	6,835
Loans and advances to customers	2,529,543	96,674	17,919	–	2,644,136
Finance lease receivables	80,839	2,869	15	–	83,723
Financial investments	1,215,372	1,375	4,770	212,029	1,433,546
Others (Note)	29,249	–	–	13,848	43,097
Total	4,317,536	101,188	22,704	225,877	4,667,305

	31 December 2018				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Cash and deposits with the central bank	366,575	–	–	–	366,575
Deposits with banks and other financial institutions	41,005	–	–	–	41,005
Placements with banks and other financial institutions	96,685	–	–	–	96,685
Financial assets held under resale agreements	37,773	–	–	–	37,773
Loans and advances to customers	2,227,372	117,867	16,039	–	2,361,278
Finance lease receivables	60,890	1,979	464	–	63,333
Financial investments	1,077,619	–	357	223,104	1,301,080
Others (Note)	16,718	–	–	15,238	31,956
Total	3,924,637	119,846	16,860	238,342	4,299,685

Note: Others comprise precious metal (at fair value portion), derivative financial assets and assets from wealth management business, interests receivable and other receivables recorded in other assets.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

(ii) *Financial assets analysed by credit quality are summarised as follows:*

	31 December 2019					
	Loans and advances to customers	Finance lease receivables	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments	Others (Note)
<i>Impaired</i>						
Gross amount	42,513	1,063	366	–	6,539	1,944
Provision for impairment losses	(24,594)	(1,048)	(366)	–	(1,769)	(326)
Subtotal	17,919	15	–	–	4,770	1,618
<i>Overdue but not impaired</i>						
– Less than 3 months (inclusive)	25,304	58	300	–	1,476	–
Provision for impairment losses	(6,492)	(1)	(30)	–	(101)	–
Subtotal	18,812	57	270	–	1,375	–
<i>Neither overdue nor impaired</i>						
Gross amount	2,652,547	84,978	91,576	6,836	1,429,914	41,726
Provision for impairment losses	(45,142)	(1,327)	(218)	(1)	(2,513)	(247)
Subtotal	2,607,405	83,651	91,358	6,835	1,427,401	41,479
Total	2,644,136	83,723	91,628	6,835	1,433,546	43,097

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

(ii) Financial assets analysed by credit quality are summarised as follows (continued):

	31 December 2018					
	Loans and advances to customers	Finance lease receivables	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments	Others (Note)
<i>Impaired</i>						
Gross amount	38,649	1,076	366	–	1,520	1,785
Provision for impairment losses	(22,610)	(612)	(366)	–	(1,163)	(228)
Subtotal	16,039	464	–	–	357	1,557
<i>Overdue but not impaired</i>						
– Less than 3 months (inclusive)	23,893	1,143	–	–	–	–
– Between 3 months and 6 months (inclusive)	243	2	–	–	–	–
Gross amount	24,136	1,145	–	–	–	–
Provision for impairment losses	(3,778)	(64)	–	–	–	–
Subtotal	20,358	1,081	–	–	–	–
<i>Neither overdue nor impaired</i>						
Gross amount	2,365,702	62,736	137,966	37,775	1,304,254	30,803
Provision for impairment losses	(40,821)	(948)	(276)	(2)	(3,531)	(404)
Subtotal	2,324,881	61,788	137,690	37,773	1,300,723	30,399
Total	2,361,278	63,333	137,690	37,773	1,301,080	31,956

Note: Others comprise precious metals (at fair value portion), derivative financial assets and assets from wealth management business, interests receivable and other receivables recorded in other assets.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

(iii) Credit rating

The distribution according to the credit quality of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2019	31 December 2018
<i>Impaired</i>		
Carrying amount	366	366
Provision for impairment losses	(366)	(366)
Subtotal	–	–
<i>Overdue but not impaired</i>		
– grade B to BBB	270	–
<i>Neither overdue nor impaired</i>		
– grade A to AAA	73,880	171,905
– grade B to BBB	5,879	3,312
– unrated (Note)	18,435	246
Subtotal	98,193	175,463
Total	98,463	175,463

Note: Mainly represent placements with other financial institutions and debt securities held under resale agreements with other financial institutions.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(a) Credit risk (continued)

(iii) Credit rating (continued)

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of the year are as follows:

	31 December 2019	31 December 2018
<i>Impaired</i>		
Carrying amount	1,662	1,520
Provision for impairment losses	(1,038)	(1,163)
Subtotal	624	357
<i>Neither overdue nor impaired</i>		
<i>Bloomberg Composite</i>		
– grade AAA	1,033	–
– grade AA- to AA+	810	–
– grade A- to A+	25,497	8,935
– grade lower than A–	30,001	8,396
Subtotal	57,341	17,331
<i>Other agency ratings</i>		
– grade AAA	740,453	520,033
– grade AA- to AA+	63,240	32,986
– grade A- to A+	548	7,872
– grade lower than A–	2,119	11,725
– unrated	120,451	83,182
Subtotal	926,811	655,798
Total	984,776	673,486

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured monitored and control all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures as well as the market risk tolerance level recommended by senior management. The Group is primarily exposed to market risk in its treasury business. The Financial Market Department is responsible for the Group's investments and proprietary trading business. The Asset and Liability Management Department is responsible for monitoring and managing the interest rate risk and foreign exchange risk on a daily basis. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

The Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the main tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the main tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Assets and Liability Management Department of the Group is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis point (1%) movement in the interest rates.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the effective interest rates for the year and the assets and liabilities as at the end of the year by the expected next repricing dates or by maturity dates, whichever is earlier:

	31 December 2019						
	Effective interest rate (*)	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.46%	364,340	15,487	348,853	–	–	–
Deposits with banks and other financial institutions	1.73%	31,358	6	29,359	1,993	–	–
Placements with banks and other financial institutions	2.97%	60,270	213	42,793	16,775	489	–
Financial assets held under resale agreements	2.51%	6,835	8	6,827	–	–	–
Loans and advances to customers	5.64%	2,644,136	29,609	1,992,591	531,959	86,871	3,106
Finance lease receivables	5.78%	83,723	951	69,524	289	9,195	3,764
Financial investments	4.26%	1,433,546	67,851	234,363	201,092	599,514	330,726
Others	–	109,223	106,094	–	–	–	3,129
Total assets	4.76%	4,733,431	220,219	2,724,310	752,108	696,069	340,725
Liabilities							
Due to the central bank	3.34%	224,838	3,358	7,000	214,480	–	–
Deposits from banks and other financial institutions	2.89%	444,320	2,913	339,180	102,227	–	–
Placements from banks and other financial institutions	3.10%	166,225	1,122	98,731	66,372	–	–
Financial assets sold under repurchase agreements	2.22%	25,603	18	20,422	5,163	–	–
Deposits from customers	2.28%	3,017,888	34,570	1,867,333	645,265	470,708	12
Debt securities issued	3.69%	371,904	3,158	142,222	174,052	5,789	46,683
Others	–	96,599	76,614	12,735	4,195	3,048	7
Total liabilities	2.58%	4,347,377	121,753	2,487,623	1,211,754	479,545	46,702
Asset-liability gap	2.18%	386,054	98,466	236,687	(459,646)	216,524	294,023

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

- (i) The following tables indicate the effective interest rates for the year and the assets and liabilities as at the end of the year by the expected next repricing dates or by maturity dates, whichever is earlier (continued):

	31 December 2018						
	Effective interest rate (*) (Restated)	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets							
Cash and deposits with the central bank	1.49%	366,575	14,111	352,464	–	–	–
Deposits with banks and other financial institutions	1.79%	41,005	76	40,929	–	–	–
Placements with banks and other financial institutions	3.86%	96,685	530	69,506	25,663	986	–
Financial assets held under resale agreements	3.21%	37,773	34	37,515	68	156	–
Loans and advances to customers	5.45%	2,361,278	29,287	1,822,602	435,372	70,817	3,200
Finance lease receivables	5.37%	63,333	1,801	60,331	490	711	–
Financial investments	4.42%	1,301,080	39,210	280,950	224,484	541,874	214,562
Others	–	89,603	85,956	–	–	–	3,647
Total assets	4.69%	4,357,332	171,005	2,664,297	686,077	614,544	221,409
Liabilities							
Due to the central bank	3.29%	267,193	4,143	34,500	228,550	–	–
Deposits from banks and other financial institutions	3.84%	490,091	2,704	257,323	230,064	–	–
Placements from banks and other financial institutions	3.32%	152,037	754	103,060	48,085	138	–
Financial assets sold under repurchase agreements	2.54%	40,411	18	37,330	3,063	–	–
Deposits from customers	2.15%	2,571,961	35,659	2,067,304	364,245	104,753	–
Debt securities issued	4.31%	440,449	3,669	58,022	221,007	94,881	62,870
Others	–	72,717	59,823	8,612	3,631	651	–
Total liabilities	2.78%	4,034,859	106,770	2,566,151	1,098,645	200,423	62,870
Asset-liability gap	1.91%	322,473	64,235	98,146	(412,568)	414,121	158,539

* *Effective interest rate represents the ratio of interest income/expense to average interest-bearing assets/liabilities*

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Interest rate risk (continued)

(ii) *Interest rate sensitivity analysis*

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2019, assuming other variables remain unchanged, an increase in the estimated interest rate of one hundred basis points will cause the Group's net profit to decrease by RMB969 million (31 December 2018: decrease by RMB1,222 million), and equity to decrease by RMB5,039 million (31 December 2018: decrease by RMB4,820 million); a decrease in the estimated interest rate of one hundred basis points will cause the Group's net profit to increase by RMB1,017 million (31 December 2018: increase by RMB1,267 million), and equity to increase by RMB5,316 million (31 December 2018: increase by RMB5,074 million).

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of the year apply to all derivative and non-derivative financial instruments of the Group;
- At the end of the year, an interest rate movement of one hundred basis points is based on the assumption of interest rate movements over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the portfolio of asset and liabilities;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk

The Group's foreign currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages foreign currency risk by spot and forward foreign exchange transactions, swap transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the year are as follows:

	31 December 2019			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	353,625	10,258	457	364,340
Deposits with banks and other financial institutions	8,822	15,096	7,440	31,358
Placements with banks and other financial institutions	33,091	23,340	3,839	60,270
Financial assets held under resale agreements	6,708	127	–	6,835
Loans and advances to customers	2,488,590	100,219	55,327	2,644,136
Finance lease receivables	82,800	923	–	83,723
Financial investments	1,345,906	79,341	8,299	1,433,546
Others	98,151	10,053	1,019	109,223
Total assets	4,417,693	239,357	76,381	4,733,431
Liabilities				
Due to the central bank	224,838	–	–	224,838
Deposits from banks and other financial institutions	442,306	1,488	526	444,320
Placements from banks and other financial institutions	55,186	92,685	18,354	166,225
Financial assets sold under repurchase agreements	23,074	2,529	–	25,603
Deposit from customers	2,839,940	146,468	31,480	3,017,888
Debt securities issued	332,159	35,802	3,943	371,904
Others	86,763	7,987	1,849	96,599
Total liabilities	4,004,266	286,959	56,152	4,347,377
Net position	413,427	(47,602)	20,229	386,054
Off-balance sheet credit commitments	1,220,466	53,513	13,517	1,287,496
Derivative financial instruments (Note)	(28,453)	51,603	(17,294)	5,856

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group's currency exposures as at the end of the year are as follows (continued):

	31 December 2018			
	RMB	US Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	359,143	6,990	442	366,575
Deposits with banks and other financial institutions	14,614	18,094	8,297	41,005
Placements with banks and other financial institutions	58,436	31,783	6,466	96,685
Financial assets held under resale agreements	37,348	–	425	37,773
Loans and advances to customers	2,245,883	71,428	43,967	2,361,278
Finance lease receivables	62,291	1,042	–	63,333
Financial investments	1,247,713	43,016	10,351	1,301,080
Others	83,712	3,856	2,035	89,603
Total assets	4,109,140	176,209	71,983	4,357,332
Liabilities				
Due to the central bank	267,193	–	–	267,193
Deposits from banks and other financial institutions	489,301	145	645	490,091
Placements from banks and other financial institutions	50,288	80,231	21,518	152,037
Financial assets sold under repurchase agreements	40,364	–	47	40,411
Deposit from customers	2,408,136	134,718	29,107	2,571,961
Debt securities issued	416,623	18,437	5,389	440,449
Others	63,190	6,691	2,836	72,717
Total liabilities	3,735,095	240,222	59,542	4,034,859
Net position	374,045	(64,013)	12,441	322,473
Off-balance sheet credit commitments	932,340	52,390	26,861	1,011,591
Derivative financial instruments (Note)	(33,881)	46,775	(10,192)	2,702

Note: Derivative financial instruments reflect the net notional amounts of derivatives.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Foreign currency risk (continued)

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. As at the financial reporting date, the exchange rate changes of the currencies to which the Group had significant exposure are as follows:

	31 December 2019	31 December 2018
Exchange rates against RMB for the HK dollar	0.8949	0.8763
Exchange rates against RMB for the US dollar	6.9687	6.8633

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2019, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase both the Group's net profit and equity by RMB7 million (31 December 2018: decrease by RMB16 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease both the Group's net profit and equity by RMB7 million (31 December 2018: increase by RMB16 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis point fluctuation in the foreign currency exchange rates (central parity) against RMB;
- At the end of the year, the fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rate movements over the next 12 months;
- Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(b) Market risk (continued)

Price risk

Price risk mainly comes from equity investments held by the Group and the trading precious metal investments. The Group's risk of commodity or shares price from investment is not significant.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. In accordance with liquidity policies, the Group monitors the future cash flows and maintains liquid assets of high quality.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC, chaired by the President of the Bank, is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting of liquidity requirements on a timely basis and the payment of various business, whether under a normal operating environment or a state of stress; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The Assets and Liability Management Department is responsible for executing liquidity risk management policies. It is also responsible for identifying, measuring, monitoring and managing medium and long term working capital on a regular basis, and for formulating liquidity management strategies. The Asset and Liability Management Department is responsible for monitoring working capital on a daily basis and ensuring the liquidity. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

The Group mainly applies liquidity gap analysis to measure liquidity risk. The Group will continue to focus on limit monitoring and dynamic control, and apply different scenario stress tests to assess the impacts from liquidity risks and develop effective contingency plans to respond to various possible liquidity risks.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

	31 December 2019							
	Overdue/ Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	301,750	62,590	-	-	-	-	-	364,340
Deposit with banks and other financial institutions	-	28,209	439	717	1,993	-	-	31,358
Placements with banks and other financial institutions	270	-	34,032	8,630	16,841	497	-	60,270
Financial assets held under resale agreements	-	-	6,835	-	-	-	-	6,835
Loans and advances to customers	33,760	409,336	162,556	132,922	635,142	612,104	658,316	2,644,136
Finance lease receivables	4	4	2,277	3,446	13,853	49,946	14,193	83,723
Financial investments	9,100	159,827	37,613	36,928	235,099	614,108	340,871	1,433,546
Others	63,610	28,678	2,015	2,765	5,698	3,325	3,132	109,223
Total assets	408,494	688,644	245,767	185,408	908,626	1,279,980	1,016,512	4,733,431
Liabilities								
Due to the central bank	-	-	7,210	-	217,628	-	-	224,838
Deposits from banks and other financial institutions	-	179,958	73,454	87,280	103,628	-	-	444,320
Placements from banks and other financial institutions	-	6	50,449	48,909	66,861	-	-	166,225
Financial assets sold under repurchase agreements	-	-	15,720	4,715	5,168	-	-	25,603
Deposits from customers	-	1,150,257	366,487	385,159	645,265	470,708	12	3,017,888
Debt securities issued	-	-	17,233	85,324	175,856	46,808	46,683	371,904
Others	-	41,076	8,245	3,294	18,649	20,388	4,947	96,599
Total liabilities	-	1,371,297	538,798	614,681	1,233,055	537,904	51,642	4,347,377
Net position	408,494	(682,653)	(293,031)	(429,273)	(324,429)	742,076	964,870	386,054
Notional amount of derivative financial instruments	-	-	404,966	378,775	1,314,045	673,700	3,640	2,775,126

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year (continued):

	31 December 2018							Total
	Overdue/ Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	258,034	108,541	-	-	-	-	-	366,575
Deposit with banks and other financial institutions	-	33,789	6,177	1,039	-	-	-	41,005
Placements with banks and other financial institutions	-	-	45,345	24,436	25,918	986	-	96,685
Financial assets held under resale agreements	-	-	37,549	-	68	156	-	37,773
Loans and advances to customers	32,418	378,666	86,818	153,203	560,558	497,661	651,954	2,361,278
Finance lease receivables	184	121	1,324	3,046	11,135	35,875	11,648	63,333
Financial investments	2,453	180,633	49,292	43,254	243,026	561,212	221,210	1,301,080
Others	57,255	13,780	1,316	3,556	6,692	3,644	3,360	89,603
Total assets	350,344	715,530	227,821	228,534	847,397	1,099,534	888,172	4,357,332
Liabilities								
Due to the central bank	-	-	12,896	22,613	231,684	-	-	267,193
Deposits from banks and other financial institutions	-	140,751	89,005	28,207	232,128	-	-	490,091
Placements from banks and other financial institutions	-	6	58,966	44,503	48,425	137	-	152,037
Financial assets sold under repurchase agreements	-	-	35,206	2,142	3,063	-	-	40,411
Deposits from customers	-	1,163,169	246,800	321,019	565,913	275,060	-	2,571,961
Debt securities issued	-	-	21,153	36,869	221,007	94,881	66,539	440,449
Others	-	40,232	7,326	3,303	8,556	10,878	2,422	72,717
Total liabilities	-	1,344,158	471,352	458,656	1,310,776	380,956	68,961	4,034,859
Net position	350,344	(628,628)	(243,531)	(230,122)	(463,379)	718,578	819,211	322,473
Notional amount of derivative financial instruments	-	-	501,608	608,087	1,636,249	592,720	160	3,338,824

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities at the end of the year:

	31 December 2019							
	Carrying amount	Contractual undiscounted cash flow	Repayable demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	224,838	228,879	–	7,224	–	221,655	–	–
Deposits from banks and other financial institutions	444,320	448,811	179,959	75,916	87,926	105,010	–	–
Placements from banks and other financial institutions	166,225	167,904	6	50,558	49,207	68,133	–	–
Financial assets sold under repurchase agreements	25,603	25,667	–	15,723	4,734	5,210	–	–
Deposits from customers	3,017,888	3,049,947	1,150,257	372,046	390,510	655,277	481,840	17
Debt securities issued	371,904	405,350	–	17,555	93,250	182,147	59,086	53,312
Other financial liabilities	76,519	79,880	21,059	8,237	3,298	19,361	21,857	6,068
Total non-derivative financial liabilities	4,327,297	4,406,438	1,351,281	547,259	628,925	1,256,793	562,783	59,397
Derivative financial liabilities								
Derivative financial instruments settled on net basis		327	–	17	108	158	44	–
Derivative financial instruments settled on gross basis								
– Cash inflow		1,388,726	–	363,750	307,177	704,146	13,653	–
– Cash outflow		(1,387,827)	–	(362,637)	(307,299)	(704,213)	(13,678)	–
Total derivative financial liabilities		899	–	1,113	(122)	(67)	(25)	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flows of financial liabilities at the end of the reporting period (continued):

	31 December 2018							
	Carrying amount	Contractual undiscounted cash flow	Repayable demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Due to the central bank	267,193	271,562	–	12,912	22,727	235,923	–	–
Deposits from banks and other financial institutions	490,091	494,874	140,753	89,153	28,425	236,543	–	–
Placements from banks and other financial institutions	152,037	154,101	6	59,036	44,991	49,910	158	–
Financial assets sold under repurchase agreements	40,411	40,456	–	35,218	2,150	3,088	–	–
Deposits from customers	2,571,961	2,608,140	1,165,410	251,751	327,937	573,689	289,353	–
Debt securities issued	440,449	528,781	–	21,394	42,667	277,120	114,881	72,719
Other financial liabilities	58,368	59,799	40,212	5,434	774	2,290	8,115	2,974
Total non-derivative financial liabilities	4,020,510	4,157,713	1,346,381	474,898	469,671	1,378,563	412,507	75,693
Derivative financial liabilities								
Derivative financial instruments settled on net basis		84	–	–	42	–	41	1
Derivative financial instruments settled on gross basis								
– Cash inflow		1,232,949	–	300,060	289,923	636,594	6,372	–
– Cash outflow		(1,231,956)	–	(300,482)	(288,764)	(636,343)	(6,367)	–
Total derivative financial liabilities		993	–	(422)	1,159	251	5	–

This analysis of the financial instruments by contractual undiscounted cash flow might diverge from actual results.

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V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of off-balance sheet assets of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the year:

	31 December 2019			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	312,090	5,474	6,179	323,743
Guarantees, acceptances and other credit commitments	912,051	51,355	347	963,753
Total	1,224,141	56,829	6,526	1,287,496

	31 December 2018			
	Within one year	Between one year and five years	More than five years	Total
Loan and credit card commitments	273,488	580	5,116	279,184
Guarantees, acceptances and other credit commitments	684,888	44,768	2,751	732,407
Total	958,376	45,348	7,867	1,011,591

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51 Risk management (continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of operational risk management system to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- A set of standard operational procedures covering various business and management activities, which is practical, traceable and can be re-performed, investigated and remedied;
- A series of operational risk management tools, including Risk Control Self-Assessment (RCSA), Key Risk Index (KRI), Loss Event Collection and IT system monitoring;
- An operational risk management culture, the core values of the culture is that effective risk management could create value. It is supported with a team of operational risk management professionals across all branches, businesses and functions;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52 Fair value

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) *Debt securities and equity investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting year. The fair values of unlisted equity investments are estimated using comparable firms approach, after adjustment for the specific circumstances of the issuers.

(ii) *Receivables and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting year.

(iii) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting year, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting year.

(iv) *Derivative financial instruments*

The fair values of foreign currency forward and swap contracts are determined by the difference between the present value of the forward price and the contractual price at the end of the year, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows. The yield curve is based on the optimised price between the broker's quoted price and Reuters' quoted price.

(b) Fair value measurement

(i) *Financial assets*

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, precious metals, loans and advances to customers, finance lease receivables and financial investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Most of the loans and advances to customers, finance lease receivables and financial investments measured at amortised cost except for debt securities investments are priced at floating interest rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at fair value through profit or loss, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income and part of precious metals are stated at fair value. The carrying amount and fair value of debt securities investments measured at amortised cost are disclosed in Note V 19.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52 Fair value (continued)

(b) Fair value measurement (continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers, due to the central bank, financial liabilities at fair value through profit or loss and debt securities issued. Except the debt securities issued, the carrying amounts of other financial liabilities approximate their fair values.

The tables below summarise the carrying amounts and fair values of "debt securities investments measured at amortised cost", and "debt securities issued" not presented at fair value at the end of the year:

	Carrying value		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets				
Debt securities investments measured at amortised cost	784,943	505,351	796,461	512,668
Financial liabilities				
Debt securities issued	371,904	440,449	371,869	435,137

Debt securities investments measured at amortised cost are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank performs valuation by referring to prices from valuation service providers or on the basis of discounted cash flows models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd.

The fair values of debt securities issued are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52 Fair value (continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the statement of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The definitions of three levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices). This level includes bonds and a majority of OTC derivative contracts. Input parameters like ChinaBond interbank yield curves or LIBOR yield curves are sourced from ChinaBond, Bloomberg and Shanghai Clearing House.

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes complicated derivative contracts and structured deposits with one or more than one significant unobservable component.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in the valuation include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is with reference to another instrument that is substantially the same.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
<i>Derivative financial assets</i>				
– Currency derivatives	–	10,104	–	10,104
– Interest rate derivatives	–	3,653	2	3,655
– Credit derivatives	–	46	–	46
<i>Loans and advances to customers</i>	–	90,578	–	90,578
<i>Financial assets at fair value through profit or loss</i>				
– Debt instruments held for trading	4,716	13,886	–	18,602
– Financial assets designated at fair value through profit or loss	–	–	4	4
– Other financial assets at fair value through profit or loss	164,806	23,964	4,030	192,800
<i>Debt instruments at fair value through other comprehensive income</i>	43,527	136,478	–	180,005
<i>Equity instruments at fair value through other comprehensive income</i>	21	–	602	623
<i>Precious metals</i>	43	–	–	43
Total	213,113	278,709	4,638	496,460
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>	100	–	–	100
<i>Derivative financial liabilities</i>				
– Currency derivatives	–	10,140	–	10,140
– Interest rate derivatives	–	3,678	2	3,680
– Credit derivatives	–	72	1	73
Total	100	13,890	3	13,993

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

	31 December 2018			Total
	Level 1	Level 2	Level 3	
Assets				
<i>Derivative financial assets</i>				
– Currency derivatives	–	10,790	–	10,790
– Interest rate derivatives	2	4,316	7	4,325
– Credit derivatives	–	97	–	97
<i>Loans and advances to customers</i>	–	60,314	–	60,314
<i>Financial assets at fair value through profit or loss</i>				
– Debt instruments held for trading	2,257	8,629	–	10,886
– Financial assets designated at fair value through profit or loss	–	–	6	6
– Other financial assets at fair value through profit or loss	198,482	10,228	3,135	211,845
<i>Debt instruments at fair value through other comprehensive income</i>	27,384	126,603	–	153,987
<i>Equity instruments at fair value through other comprehensive income</i>	15	–	352	367
<i>Precious metals</i>	26	–	–	26
Total	228,166	220,977	3,500	452,643
Liabilities				
<i>Financial liabilities at fair value through profit or loss</i>	354	–	–	354
<i>Derivative financial liabilities</i>				
– Currency derivatives	–	10,010	–	10,010
– Interest rate derivatives	24	4,273	7	4,304
– Credit derivatives	–	34	1	35
Total	378	14,317	8	14,703

During the year, there was no significant conversion between Level 1 and Level 2 of the Group's financial instruments.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52 Fair value (continued)

(c) Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

The movements during the year ended 31 December 2019 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets designated at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
1 January 2019	7	3,141	352	3,500	(8)	(8)
Total gains or losses:						
– In profit or loss	(5)	(725)	–	(730)	4	4
Purchases	–	1,906	250	2,156	–	–
Settlements	–	(288)	–	(288)	1	1
31 December 2019	2	4,034	602	4,638	(3)	(3)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	(5)	(725)	–	(730)	4	4

The movements during the year ended 31 December 2018 in the balance of Level 3 fair value measurements are as follows:

	Derivative financial assets	Financial assets designated at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Total assets	Derivative financial liabilities	Total liabilities
1 January 2018	4	41,875	98	41,977	(3)	(3)
Total gains or losses:						
– In profit or loss	5	(2,196)	–	(2,191)	(4)	(4)
Purchases	–	2,618	254	2,872	(1)	(1)
Settlements	(2)	(39,156)	–	(39,158)	–	–
31 December 2018	7	3,141	352	3,500	(8)	(8)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	5	(2,196)	–	(2,191)	(4)	(4)

During the year ended 31 December 2019 and 31 December 2018, there were no significant transfers into or out of Level 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52 Fair value (continued)

(c) Fair value hierarchy (continued)

Financial assets and liabilities not measured at fair value

The tables below summarise the three levels' fair values of "debt securities investments measured at amortised cost" and "debt securities issued" not presented at fair value on the statement of financial position.

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities investments measured at amortised cost	142,394	654,067	–	796,461
Financial liabilities				
Debt securities issued	31,658	340,211	–	371,869

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities investments measured at amortised cost	81,743	430,925	–	512,668
Financial liabilities				
Debt securities issued	26,492	408,645	–	435,137

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily interest derivatives. These financial instruments are valued using the cash flow the discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2019, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53 Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustors and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position.

	31 December 2019	31 December 2018
Entrusted loans	139,790	148,654
Entrusted funds	139,790	148,654

54 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2019	31 December 2018
Loan commitments		
– Original contractual maturity within one year	19,855	33,056
– Original contractual maturity more than one year (inclusive)	13,732	12,688
Credit card commitments	290,156	233,440
Subtotal	323,743	279,184
Acceptances	609,169	477,110
Letters of guarantees	128,746	123,416
Letters of credit	225,653	131,696
Guarantees	185	185
Total	1,287,496	1,011,591

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses the estimated credit risk and makes provision for any expected credit losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(Expressed in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54 Commitments and contingent liabilities (continued)

(b) Credit risk-weighted amount of credit commitments

	31 December 2019	31 December 2018
Credit risk-weighted amount of credit commitments	380,959	351,409

The credit risk-weighted amount of credit commitments represent to the amount calculated with reference to the Regulation Governing Capital of Commercial Banks (provisional). The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights ranged from 0% to 100% for credit commitments.

(c) Capital commitments

As at the end of the year, the Group's authorised capital commitments are as follows:

	31 December 2019	31 December 2018
Contracted but not paid – Purchase of property and equipment	1,100	790
Approved but not contracted for – Purchase of property and equipment	2,817	1,942
Total	3,917	2,732

(d) Underwriting and redemption commitments

The Group had no unexpired commitments for underwriting bonds as at 31 December 2019.

As an underwriting agent of the PRC government bonds, the Group has the responsibility to buy back those bonds it previously sold should the holders decide to make an early redemption of the bonds held. The redemption price for a bond at any time before its maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with the relevant MOF and PBOC rules. The redemption price may be different from the fair value of similar financial instruments traded at the redemption date.

As at the end of the year, the underwritten, sold and immature national bonds' redemption commitments at nominal value are as follows:

	31 December 2019	31 December 2018
Redemption commitments	6,626	8,192

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54 Commitments and contingent liabilities (continued)

(e) Outstanding litigation and disputes

As at 31 December 2019, the Group was the defendant in certain pending litigation and disputes with gross claims of RMB1,384 million (31 December 2018: RMB1,007 million). Provisions have been made for the estimated losses of such litigations based upon the opinions of the Group's internal and external legal counsels (Note V 37). The Group considers that the provisions made are reasonable and adequate.

55 Events after the financial reporting date

Establishment of Beijing Sunshine Consumer Finance Co., Ltd

The 28th Meeting of the Seventh Session of the Board of Directors of the Bank held on 15 September approved the proposal of establishing the Beijing Sunshine Consumer Finance Company Limited together with China Youth Tourism Holding Co., Ltd. and other promoters. The Bank will invest RMB600 million, representing 60% of the equity.

The Bank has received the Approval Regarding the establishment of Beijing Sunshine Consumer Finance Company Limited (CBIRC Approval [2020] No. 16) from CBIRC. At present, the relevant preparatory work is still in progress.

Impact assessment of the Coronavirus Disease 2019

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, prevention and control measures against the pandemic have been adopted nationwide. The PBOC, the MOF, the CBIRC, the CSRC and the State Administration of Foreign Exchange jointly issued the requirements of the Notice on Further Enhancing Financial Support for the Prevention and Control of the Novel Coronavirus Pneumonia Outbreak. Various ministries and commissions have also issued a series of policy measures to strengthen financial institutions' support for the prevention and control of the pandemic. The Group actively responded to the call of the Government, fulfilled social responsibilities and implemented various policy measures.

The COVID-19 will affect the business operations in certain industries and certain areas including Hubei province, even the overall economic operation in various areas. This in turn may affect the quality or the yields of the Group's credit assets and other financial assets, the extent of which will depend on factors including evolvement of the pandemic, macro policies, resumption of work and activities in enterprises.

The Group will continue to closely pay attention to the development of COVID-19, assessing and actively responding to its impact on the financial position and operating results of the Group.

56 Comparative figures

In accordance with the presenting pattern of the financial statements, the Group has reclassified some comparative figures.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purposes only.

1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

Liquidity Coverage Ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks*, commercial banks' Liquidity Coverage Ratio ("LCR") should reach 100% by the end of 2018. During the transition period, the LCR should be no lower than 90%. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

	31 December 2019
Liquidity coverage ratio	125.12%
High Quality Liquid Assets	630,894
Net cash outflows in 30 days from the end of the year	504,250

Liquidity Ratio*

	As at 31 December 2019	Average for The year ended 31 December 2019	As at 31 December 2018	Average for The year ended 31 December 2018
RMB current assets to RMB current liabilities	72.63%	69.29%	64.26%	58.20%
Foreign currency current assets to foreign currency current liabilities	93.29%	79.43%	62.15%	74.74%

* Liquidity ratio is calculated in accordance with the banking level.

Leverage Ratio

	31 December 2019
Leverage Ratio	6.83%

Pursuant to the Leverage Ratio Management of Commercial Banks Amendments which has been effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

1 LIQUIDITY COVERAGE RATIO, LIQUIDITY RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

Net Stable Funding Ratio

The net stable fund ratio is designed to ensure commercial banks have sufficient sources of stable funding to meet the demand for stable funds for various assets and off-balance sheet exposures. The Measures for the Administration of Liquidity Risk of Commercial Banks stipulate that since 1 July 2018, the minimum regulatory standard for the net stable fund ratio is no less than 100%.

The calculation formula of net stable funding ratio is as follows:

Net stable funding ratio = available and stable funds/required stable funds*100%

As at 31 December 2019, the Group met the regulatory requirement with the net stable funding ratio standing at 105.34%.

Indicators	31 December 2019
Available and stable funds	2,693,533
Required stable funds	2,556,972
Net stable funding ratio	105.34%

2 CURRENCY CONCENTRATIONS

	31 December 2019			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	239,357	39,857	36,524	315,738
Spot liabilities	(286,959)	(33,950)	(22,202)	(343,111)
Forward purchases	759,868	20,366	7,268	787,502
Forward sales	(708,265)	(25,171)	(19,757)	(753,193)
Net long position	4,001	1,102	1,833	6,936
Net structural position	–	34	15	49

	31 December 2018			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	176,209	38,616	33,367	248,192
Spot liabilities	(240,222)	(39,524)	(20,018)	(299,764)
Forward purchases	704,568	11,509	1,436	717,513
Forward sales	(657,793)	(8,780)	(14,357)	(680,930)
Net (short)/long position	(17,238)	1,821	428	(14,989)
Net structural position	9	25	63	97

The net structural position of the Group includes the structural position, denominated in foreign currency, of the Bank's Hong Kong, Seoul, Luxembourg and Sydney branches. Structural assets mainly include fixed assets.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with central banks, deposits and placements from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	As at 31 December 2019			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	69,367	2,868	32,485	104,720
– of which attributed to Hong Kong	19,907	537	15,350	35,794
Europe	9,874	39	32,268	42,181
North and South America	12,736	–	23,352	36,088
Total	91,977	2,907	88,105	182,989

	As at 31 December 2018			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding Mainland China	73,966	910	24,329	99,205
– of which attributed to Hong Kong	22,898	782	15,034	38,714
Europe	7,633	40	21,444	29,117
North and South America	11,352	269	15,801	27,422
Total	92,951	1,219	61,574	155,744

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

(a) By geographical segments

	31 December 2019	31 December 2018
Head Office	8,963	7,455
Bohai Rim	5,201	5,077
Yangtze River Delta	5,899	5,140
Pearl River Delta	3,129	4,216
Western	4,550	4,149
Central	3,687	4,102
Northeastern	2,470	2,151
Overseas	8	8
Total	33,907	32,298

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

(b) By overdue days

	31 December 2019	31 December 2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	8,851	8,268
– between 6 months and 1 year (inclusive)	13,642	13,049
– over 1 year	11,414	10,981
Total	33,907	32,298
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.33%	0.34%
– between 6 months and 1 year (inclusive)	0.50%	0.54%
– over 1 year	0.42%	0.45%
Total	1.25%	1.33%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES (CONTINUED)

(c) Collateral of loans and advances past due but not impaired

	31 December 2019	31 December 2018
Covered portion of loans and advances past due but not impaired	6,357	7,790
Uncovered portion of loans and advances past due but not impaired	18,947	16,346
Total loans and advances past due but not impaired	25,304	24,136
Of which: Current market value of collateral held against the covered portion of loans and advances past due but not impaired	16,258	27,886

5 NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in the PRC with its banking business conducted in mainland China. As at 31 December 2019, substantial amounts of the Group's exposures arose from businesses with Mainland China entities or individuals.

Address Book of Head Office and Branches

Name	Address	P.C.	Tel.	Fax
Head office	Everbright Center, No. 25, Taipingqiao Avenue, Xicheng District, Beijing	100033	010-63636363	010-63639066
Beijing Branch	No. 1, Xuanwumen Neidajie, Xicheng District, Beijing	100031	010-66567699	010-66567411
Tianjin Branch	Annex Building of Zhonglian Building, No. 83, Qufu Ave., Heping District, Tianjin City	300041	022-23308501	022-23300229
Shanghai Branch	China Everbright Bank Building, No. 1118, Shiji Ave., Pudong New District, Shanghai City	200120	021-63606360	021-23050088
Chongqing Branch	No. 168, Minzu Road, Yuzhong District, Chongqing City	400010	023-63792773	023-63792764
Shijiazhuang Branch	No. 56, Yuhua East Road, Shijiazhuang City	050000	0311-88628882	0311-88628883
Taiyuan Branch	No. 295, Yingze Road, Yingze District, Taiyuan City	030001	0351-3839008	0351-3839108
Huhhot Branch	Tower D, Dongfangjunzuo, Chilechuan Road, Saihan District, Huhhot, Inner Mongolia Autonomous Region	010096	0471-4955882	0471-4955800
Dalian Branch	No. 4, Wuwu Road, Zhongshan District, Dalian City	116001	0411-39037007	0411-39037015
Shenyang Branch	No. 156, Hepingbei Street, Heping District, Shenyang City	110003	024-83255555	024-23283218
Changchun Branch	No. 2677, Jiefang Road, Chaoyang District, Changchun City	130061	0431-88400080	0431-88400121
Heilongjiang Branch	No. 278, Dongdazhi Street, Nangang District, Harbin City	150001	0451-53618775	0451-53618775
Nanjing Branch	No. 120, Hanzhong Road, Gulou District, Nanjing City	210029	025-84787610	025-84712699
Suzhou Branch	No. 188, Xinghai Street, Industrial Park District, Suzhou City	215021	0512-68662988	0512-68668766
Wuxi Branch	No. 1, Renmin Zhonglu, Wuxi City	214023	0510-81802528	0510-81802535
Hangzhou Branch	Zhesang Times Building, No. 1, Miduqiao Road, Gongshu District, Hangzhou City	310006	0571-87895358	0571-87895367
Ningbo Branch	No. 1 Building, Hengfu Plaza, No. 828, Fuming Road, Jiangdong District, Ningbo City	315040	0574-87300888	0574-87317230
Hefei Branch	No. 200, Changjiang Xilu, Hefei City	230001	0551-65101888	0551-65101726
Fuzhou Branch	Zhenxiang Center, No.153, Wuyi North Road, Shuibu Sub- district, Gulou District, Fuzhou City	350003	0591-87760707	0591-87835838
Xiamen Branch	China Everbright Bank Building, No. 81, Hubin Nanlu, Siming District, Xiamen City	361004	0592-2221666	0592-2237788
Nanchang Branch	No. 399, Guangchang Nanlu, Nanchang City	330006	0791-86662030	0791-86665448
Jinan Branch	No. 85, Jingqi Road, Shizhong District, Jinan City	250001	0531-86155965	0531-86155800
Qingdao Branch	No. 69, Hongkong Xilu, Shinan District, Qingdao City	266071	0532-83893801	0532-83893800
Yantai Branch	No. 111, Nandajie, Zhifu District, Yantai City	264000	0535-6658506	0535-6261796

Address Book of Head Office and Branches

Name	Address	P.C.	Tel.	Fax
Zhengzhou Branch	No. 18, Nongye Road, Jinshui District, Zhengzhou City	450008	0371-65766000	0371-65766000
Wuhan Branch	No. 143, Yanjiang Ave., Jiangan District, Wuhan City	430014	027-82796303	027-82801976
Changsha Branch	No. 142, Furong Zhonglu, Tianxin District, Changsha City	410015	0731-85363527	0731-85523677
Guangzhou Branch	21F, China Everbright Bank Building, No. 685, Tianhe Beilu, Tianhe District, Guangzhou City	510635	020-38730066	020-38730049
Shenzhen Branch	No. 18, Zizhu Qidao, Zhuzilin Silu, Futian District, Shenzhen City	518040	0755-83053388	0755-83242955
Nanning Branch	Oriental Mahatton Plaza, No. 52-1, Jinhu Road, Qingxiu District, Nanning City	530021	0771-5568106	0771-5568100
Haikou Branch	1-13/F, Jin Long City Plaza Building, South of Jin Long Road, Haikou City	570125	0898-68539999	0898-68520711
Chengdu Branch	No. 79, Dacisi Road, Jinjiang District, Chengdu City	610017	028-86665566	028-86720299
Kunming Branch	No. 28, Renmin Zhonglu, Wuhua District, Kunming City	650021	0871-63111068	0871-63111078
Xi'an Branch	No. 33, Hongguang Street, Lianhu District, Xi'an City	710002	029-87236013	023-87236010
Urumqi Branch	No. 165, Nanhu Donglu, Urumqi City	830063	0991-6765678	0991-6765678
Guiyang Branch	West Tower No.3, Guiyang International Financial Center, Guanshan Lake District, Guiyang City	550001	0851-85914438	0851-85911499
Lanzhou Branch	No. 555, Donggang West Road, Chengguan District, Lanzhou City	730030	0931-8688600	0931-8688701
Yinchuan Branch	No. 219, Jiefang West Road, Xingqing District, Yinchuan City	750001	0951-8773000	0951-8773080
Xining Branch	No. 57-7 Wusi West Road, Chengxi District, Xining City	810008	0971-6363263	0971-6236234
Lhasa Branch	No. 1, Floor 1 of Building 1, Taihe International Culture Square, Jinzhu Mid-Road, Chengguan District, Lhasa City	850000	0891-6597000	0891-6597000
Hong Kong Branch	30/F., Far East Finance Center, No. 16, Harcourt Road, Hong Kong		00852-31239888	00852-21432188
Seoul Branch	14/F, Wing Fung Building, 41 Cheonggyecheon Road, Jongno-gu, Seoul, Korea	03188	00822-37883700	00822-37883701
Luxembourg Branch	10, Avenue Emile Reuter, Luxembourg	L-2420	00352-2666888	00352-266688124
Sydney Branch	International Tower 1, 100 Barangaroo Avenue, Sydney	NSW2000	0061-2-79238888	0061-2-79238800



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