中國建設銀行股份有限公司

**CHINA CONSTRUCTION BANK CORPORATION**

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

Stock Code: 939 (Ordinary H-Share)

4606 (Offshore Preference Share)

# INTERIM RESULTS ANNOUNCEMENT

**For the Six Months Ended 30 June 2019**

The board of directors of China Construction Bank Corporation (the "Bank") is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the "Group") for the six months ended 30 June 2019 prepared in accordance with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules of Hong Kong Stock Exchange") and *International Accounting Standard No. 34 - Interim Financial Reporting*. The interim results have been reviewed by the Audit Committee and external auditors of the Bank.

# 1 SUMMARY OF INTERIM RESULTS 2019

The financial information set forth in this half-year report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards ("IFRS"), and expressed in RMB unless otherwise stated.

| (Expressed in millions of RMB unless otherwise stated) | **For the six months ended 30 June 2019** | **For the six months ended 30 June 2018** | **For the six months ended 30 June 2017** |
|---|---|---|---|
| **For the period** | | | |
| Net interest income | 250,436 | 239,486 | 217,854 |
| Net fee and commission income | 76,695 | 69,004 | 68,080 |
| Operating income | 344,387 | 322,729 | 303,133 |
| Profit before tax | 191,180 | 181,420 | 172,093 |
| Net profit | 155,708 | 147,465 | 139,009 |
| Net profit attributable to equity shareholders of the Bank | 154,190 | 147,027 | 138,339 |
| **Per share (In RMB)** | | | |
| Basic and diluted earnings per share | 0.62 | 0.59 | 0.55 |
| **Profitability indicators (%)** | | | |
| Annualised return on average assets [1] | 1.31 | 1.31 | 1.30 |
| Annualised return on average equity | 15.62 | 16.66 | 17.09 |
| Net interest spread | 2.12 | 2.20 | 2.03 |
| Net interest margin | 2.27 | 2.34 | 2.14 |
| Net fee and commission income to operating income | 22.27 | 21.38 | 22.46 |
| Cost-to-income ratio [2] | 21.93 | 22.15 | 22.31 |

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then annualising the quotient.
2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.

| (Expressed in millions of RMB unless otherwise stated) | As at 30 June 2019 | As at 31 December 2018 | As at 31 December 2017 |
|---|---|---|---|
| **At the end of the period** | | | |
| Net loans and advances to customers | 14,087,296 | 13,365,430 | 12,574,473 |
| Total assets | 24,383,151 | 23,222,693 | 22,124,383 |
| Deposits from customers | 18,214,072 | 17,108,678 | 16,363,754 |
| Total liabilities | 22,311,113 | 21,231,099 | 20,328,556 |
| Total equity | 2,072,038 | 1,991,594 | 1,795,827 |
| Total equity attributable to equity shareholders of the Bank | 2,055,756 | 1,976,463 | 1,779,760 |
| Share capital | 250,011 | 250,011 | 250,011 |
| Common Equity Tier 1 capital after regulatory adjustments [1] | 1,965,465 | 1,889,390 | 1,691,332 |
| Additional Tier 1 capital after regulatory adjustments [1] | 79,721 | 79,720 | 79,788 |
| Tier 2 capital after regulatory adjustments [1] | 403,102 | 379,536 | 231,952 |
| Total capital after regulatory adjustments [1] | 2,448,288 | 2,348,646 | 2,003,072 |
| Risk-weighted assets [1] | 14,348,040 | 13,659,497 | 12,919,980 |
| **Per share (In RMB)** | | | |
| Net assets per share | 7.97 | 7.65 | 6.86 |
| **Capital adequacy indicators (%)** | | | |
| Common Equity Tier 1 ratio [1] | 13.70 | 13.83 | 13.09 |
| Tier 1 ratio [1] | 14.25 | 14.42 | 13.71 |
| Total capital ratio [1] | 17.06 | 17.19 | 15.50 |
| Total equity to total assets | 8.50 | 8.58 | 8.12 |
| **Asset quality indicators (%)** | | | |
| Non-performing loan (NPL) ratio | 1.43 | 1.46 | 1.49 |
| Allowances to NPLs [2] | 218.03 | 208.37 | 171.08 |
| Allowances to total loans [3] | 3.13 | 3.04 | 2.55 |

1. Calculated in accordance with the relevant rules of the *Capital Rules for Commercial Banks (Provisional)* and the advanced capital measurement approaches.
2. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the NPLs do not include the accrued interest. The regulatory target set by the CBIRC is 150% for 2019.
3. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the total loans do not include the accrued interest. The regulatory target set by the CBIRC is 2% for 2019.

# 2 Financial statements

**Consolidated statement of comprehensive income**

*(Expressed in millions of RMB, unless otherwise stated)*

| | Six months ended 30 June | | Change |
|---|---|---|---|
| | **2019** | 2018 | |
| | **(Unaudited)** | (Unaudited) | (%) |
| Interest income | **432,446** | 395,320 | 9.39 |
| Interest expense | **(182,010)** | (155,834) | 16.80 |
| **Net interest income** | **250,436** | 239,486 | 4.57 |
| Fee and commission income | **84,167** | 75,371 | 11.67 |
| Fee and commission expense | **(7,472)** | (6,367) | 17.36 |
| **Net fee and commission income** | **76,695** | 69,004 | 11.15 |
| Net trading gain | **4,858** | 7,912 | (38.60) |
| Dividend income | **414** | 412 | 0.49 |
| Net gain arising from investment securities | **6,541** | 3,119 | 109.71 |
| Net gain/(loss) on derecognition of financial assets measured at amortised cost | **1,435** | (2,365) | (160.68) |
| Other operating income, net: | | | |
| - Other operating income | **21,505** | 23,503 | (8.50) |
| - Other operating expense | **(17,497)** | (18,342) | (4.61) |
| **Other operating income, net** | **4,008** | 5,161 | (22.34) |
| **Operating income** | **344,387** | 322,729 | 6.71 |
| **Operating expenses** | **(78,549)** | (74,681) | 5.18 |
| | **265,838** | 248,048 | 7.17 |
| Credit impairment losses | **(74,638)** | (67,029) | 11.35 |
| Other impairment losses | **(148)** | 249 | (159.44) |
| **Share of profits of associates and joint ventures** | **128** | 152 | (15.79) |
| **Profit before tax** | **191,180** | 181,420 | 5.38 |
| Income tax expense | **(35,472)** | (33,955) | 4.47 |
| **Net profit** | **155,708** | 147,465 | 5.59 |

**Consolidated statement of comprehensive income (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | Six months ended 30 June | | Change |
|---|---|---|---|
| | **2019** | 2018 | |
| | **(Unaudited)** | (Unaudited) | (%) |
| **Other comprehensive income:** | | | |
| (1)Other comprehensive income that will not be reclassified to profit or loss | | | |
| Remeasurements of post-employment benefit obligations | **110** | (178) | (161.80) |
| Fair value changes of equity instruments designated as measured at fair value through other comprehensive income | **318** | (33) | (1,063.64) |
| Others | **(3)** | (5) | (40.00) |
| Subtotal | **425** | (216) | (296.76) |
| (2)Other comprehensive income that may be reclassified subsequently to profit or loss | | | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | **(168)** | 14,974 | (101.12) |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income | **1,359** | (161) | (944.10) |
| Reclassification adjustments included in profit or loss due to disposals | **(93)** | (102) | (8.82) |
| Net loss on cash flow hedges | **(174)** | (342) | (49.12) |
| Exchange difference on translating foreign operations | **(76)** | (550) | (86.18) |
| Subtotal | **848** | 13,819 | (93.86) |
| **Other comprehensive income for the period, net of tax** | **1,273** | 13,603 | (90.64) |

**Consolidated statement of comprehensive income (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | Six months ended 30 June | | Change |
|---|---|---|---|
| | **2019** | 2018 | |
| | **(Unaudited)** | (Unaudited) | (%) |
| **Total comprehensive income for the period** | **156,981** | 161,068 | (2.54) |
| Net profit attributable to: | | | |
| Equity shareholders of the Bank | **154,190** | 147,027 | 4.87 |
| Non-controlling interests | **1,518** | 438 | 246.58 |
| | **155,708** | 147,465 | 5.59 |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the Bank | **155,796** | 160,572 | (2.97) |
| Non-controlling interests | **1,185** | 496 | 138.91 |
| | **156,981** | 161,068 | (2.54) |
| **Basic and diluted earnings per share (in RMB Yuan)** | **0.62** | 0.59 | 5.08 |

**Consolidated statement of financial position**

*(Expressed in millions of RMB, unless otherwise stated)*

| | **30 June 2019 (Unaudited)** | 31 December 2018 (Audited) | Change (%) |
|---|---|---|---|
| **Assets:** | | | |
| Cash and deposits with central banks | **2,466,167** | 2,632,863 | (6.33) |
| Deposits with banks and non-bank financial institutions | **365,628** | 486,949 | (24.91) |
| Precious metals | **36,911** | 33,928 | 8.79 |
| Placements with banks and non-bank financial institutions | **447,872** | 349,727 | 28.06 |
| Positive fair value of derivatives | **28,962** | 50,601 | (42.76) |
| Financial assets held under resale agreements | **450,226** | 201,845 | 123.06 |
| Loans and advances to customers | **14,087,296** | 13,365,430 | 5.40 |
| Financial investments | | | |
| Financial assets measured at fair value through profit or loss | **678,147** | 731,217 | (7.26) |
| Financial assets measured at amortised cost | **3,575,473** | 3,272,514 | 9.26 |
| Financial assets measured at fair value through other comprehensive income | **1,797,431** | 1,711,178 | 5.04 |
| Long-term equity investments | **10,424** | 8,002 | 30.27 |
| Fixed assets | **165,561** | 169,574 | (2.37) |
| Land use rights | **14,123** | 14,373 | (1.74) |
| Intangible assets | **3,632** | 3,622 | 0.28 |
| Goodwill | **2,780** | 2,766 | 0.51 |
| Deferred tax assets | **63,730** | 58,730 | 8.51 |
| Other assets | **188,788** | 129,374 | 45.92 |
| **Total assets** | **24,383,151** | 23,222,693 | 5.00 |

**Consolidated statement of financial position (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | **30 June 2019 (Unaudited)** | 31 December 2018 (Audited) | Change (%) |
|---|---|---|---|
| **Liabilities:** | | | |
| Borrowings from central banks | **446,769** | 554,392 | (19.41) |
| Deposits from banks and non-bank financial institutions | **1,452,410** | 1,427,476 | 1.75 |
| Placements from banks and non-bank financial institutions | **441,948** | 420,221 | 5.17 |
| Financial liabilities measured at fair value through profit or loss | **301,500** | 431,334 | (30.10) |
| Negative fair value of derivatives | **28,017** | 48,525 | (42.26) |
| Financial assets sold under repurchase agreements | **35,164** | 30,765 | 14.30 |
| Deposits from customers | **18,214,072** | 17,108,678 | 6.46 |
| Accrued staff costs | **31,581** | 36,213 | (12.79) |
| Taxes payable | **54,422** | 77,883 | (30.12) |
| Provisions | **39,652** | 37,928 | 4.55 |
| Debt securities issued | **789,358** | 775,785 | 1.75 |
| Deferred tax liabilities | **390** | 485 | (19.59) |
| Other liabilities | **475,830** | 281,414 | 69.09 |
| **Total liabilities** | **22,311,113** | 21,231,099 | 5.09 |

**Consolidated statement of financial position (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | **30 June 2019 (Unaudited)** | 31 December 2018 (Audited) | Change (%) |
|---|---|---|---|
| **Equity:** | | | |
| Share capital | **250,011** | 250,011 | - |
| Other equity instruments | | | |
| Preference shares | **79,636** | 79,636 | - |
| Capital reserve | **134,537** | 134,537 | - |
| Other comprehensive income | **20,057** | 18,451 | 8.70 |
| Surplus reserve | **223,231** | 223,231 | - |
| General reserve | **280,045** | 279,725 | 0.11 |
| Retained earnings | **1,068,239** | 990,872 | 7.81 |
| Total equity attributable to equity shareholders of the Bank | **2,055,756** | 1,976,463 | 4.01 |
| Non-controlling interests | **16,282** | 15,131 | 7.61 |
| **Total equity** | **2,072,038** | 1,991,594 | 4.04 |
| **Total liabilities and equity** | **24,383,151** | 23,222,693 | 5.00 |

**Consolidated statement of changes in equity**

*(Expressed in millions of RMB, unless otherwise stated)*

| | (Unaudited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity shareholders of the Bank | | | | | | | | |
| | Share capital | Other equity instruments -preference shares | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Non-controlling interests | Total equity |
| **As at 1 January 2019** | **250,011** | **79,636** | **134,537** | **18,451** | **223,231** | **279,725** | **990,872** | **15,131** | **1,991,594** |
| **Movements during the period** | **-** | **-** | **-** | **1,606** | **-** | **320** | **77,367** | **1,151** | **80,444** |
| | | | | | **-** | | | | |
| **(1) Total comprehensive income for the period** | **-** | **-** | **-** | **1,606** | **-** | **-** | **154,190** | **1,185** | **156,981** |
| **(2) Changes in share capital** | | | | | | | | | |
| i Change in shareholdings in subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(6)** | **(6)** |
| **(3) Profit distribution** | | | | | | | | | |
| i Appropriation to general reserve | **-** | **-** | **-** | **-** | **-** | **320** | **(320)** | **-** | **-** |
| ii Appropriation to ordinary shareholders | **-** | **-** | **-** | **-** | **-** | **-** | **(76,503)** | **-** | **(76,503)** |
| iii Dividends paid to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(28)** | **(28)** |
| **As at 30 June 2019** | **250,011** | **79,636** | **134,537** | **20,057** | **223,231** | **280,045** | **1,068,239** | **16,282** | **2,072,038** |

## Consolidated statement of changes in equity (continued)

*(Expressed in millions of RMB, unless otherwise stated)*

| | (Unaudited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity shareholders of the Bank | | | | | | | | |
| | Share capital | Other equity instruments -preference shares | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Non-controlling interests | Total equity |
| **As at 1 January 2018** | 250,011 | 79,636 | 134,537 | (19,599) | 198,613 | 259,680 | 857,569 | 15,929 | 1,776,376 |
| **Movements during the period** | - | - | - | 13,545 | - | 518 | 73,756 | 382 | 88,201 |
| **(1) Total comprehensive income for the period** | - | - | - | 13,545 | - | - | 147,027 | 496 | 161,068 |
| **(2) Changes in share capital** | | | | | | | | | |
| i Change in shareholdings in subsidiaries | - | - | - | - | - | - | - | (85) | (85) |
| **(3) Profit distribution** | | | | | | | | | |
| i Appropriation to general reserve | - | - | - | - | - | 518 | (518) | - | - |
| ii Appropriation to ordinary shareholders | - | - | - | - | - | - | (72,753) | (29) | (72,782) |
| **As at 30 June 2018** | 250,011 | 79,636 | 134,537 | (6,054) | 198,613 | 260,198 | 931,325 | 16,311 | 1,864,577 |

**Consolidated statement of changes in equity (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | (Audited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity shareholders of the Bank | | | | | | | | |
| | Share capital | Other equity instruments -preference shares | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Non-controlling interests | Total equity |
| **As at 1 January 2018** | 250,011 | 79,636 | 134,537 | (19,599) | 198,613 | 259,680 | 857,569 | 15,929 | 1,776,376 |
| **Movements during the year** | - | - | - | 38,050 | 24,618 | 20,045 | 133,303 | (798) | 215,218 |
| **(1) Total comprehensive income for the year** | - | - | - | 38,050 | - | - | 254,655 | 1,135 | 293,840 |
| **(2) Changes in share capital** | | | | | | | | | |
| i Acquisition of subsidiaries | - | - | - | - | - | - | - | (8) | (8) |
| ii Change in shareholdings in subsidiaries | - | - | - | - | - | - | - | (138) | (138) |
| iii Disposal of subsidiaries | - | - | - | - | - | - | - | (1,667) | (1,667) |
| **(3) Profit distribution** | | | | | | | | | |
| i Appropriation to surplus reserve | - | - | - | - | 24,618 | - | (24,618) | - | - |
| ii Appropriation to general reserve | - | - | - | - | - | 20,045 | (20,045) | - | - |
| iii Appropriation to ordinary shareholders | - | - | - | - | - | - | (72,753) | - | (72,753) |
| iv Dividends paid to preference shareholders | - | - | - | - | - | - | (3,936) | - | (3,936) |
| v Dividends paid to non-controlling interests | - | - | - | - | - | - | - | (120) | (120) |
| **As at 31 December 2018** | 250,011 | 79,636 | 134,537 | 18,451 | 223,231 | 279,725 | 990,872 | 15,131 | 1,991,594 |

**Consolidated statement of cash flows**

*(Expressed in millions of RMB, unless otherwise stated)*

| | Six months ended 30 June | |
|---|---|---|
| | **2019 (Unaudited)** | 2018 (Unaudited) |
| ***Cash flows from operating activities*** | | |
| Profit before tax | **191,180** | 181,420 |
| *Adjustments for:* | | |
| -Credit impairment losses | **74,638** | 67,029 |
| -Other impairment losses | **148** | (249) |
| -Depreciation and amortisation | **11,334** | 8,323 |
| -Interest income from impaired financial assets | **(1,558)** | (1,495) |
| -Revaluation gain on financial instruments at fair value through profit or loss | **(2,758)** | (1,281) |
| -Share of profits of associates and joint ventures | **(128)** | (152) |
| -Dividend income | **(414)** | (412) |
| -Unrealised foreign exchange (gain)/loss | **(1,377)** | |
| -Interest expense on bonds issued | **8,450** | 5,820 |
| -Interest income from investment securities and net income from disposal | **(99,039)** | (3,119) |
| -Net loss/(gain) on disposal of fixed assets and other long-term assets | **14** | (69) |
| | **180,490** | 255,854 |

**Consolidated statement of cash flows (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| ***Cash flows from operating activities (continued)*** | | |
| *Changes in operating assets:* | | |
| Net decrease in deposits with central banks and with banks and non-bank financial institutions | **116,955** | 361,908 |
| Net increase in placements with banks and non bank financial institutions | **(46,175)** | (64,252) |
| Net increase in loans and advances to customers | **(789,557)** | (548,492) |
| Net increase in financial assets held under resale agreements | **(248,393)** | (186,488) |
| Net increase in financial assets held for trading purposes | **(29,049)** | (11,643) |
| Net (increase)/decrease in other operating assets | **(48,474)** | 35,190 |
| | **(1,044,693)** | (413,777) |
| *Changes in operating liabilities:* | | |
| Net decrease in borrowings from central banks | **(106,020)** | (101,386) |
| Net increase in placements from banks and non-bank financial institutions | **21,599** | 46,725 |
| Net increase in deposits from customers and from banks and non-bank financial institutions | **1,114,318** | 516,109 |
| Net increase/(decrease) in financial assets sold under repurchase agreements | **4,513** | (26,011) |
| Net increase in certificates of deposit issued | **22,312** | 67,489 |
| Income tax paid | **(64,183)** | (47,651) |
| Net decrease in financial liabilities measured at fair value through profit or loss | **(128,525)** | (9,124) |
| Net increase/(decrease) in other operating liabilities | **114,367** | (14,148) |
| | **978,381** | 432,003 |
| **Net cash from operating activities** | **114,178** | 274,080 |

**Consolidated statement of cash flows (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **(Unaudited)** | (Unaudited) |
| ***Cash flows from investing activities*** | | |
| Proceeds from sales and redemption of financial investments | **944,055** | 1,030,301 |
| Dividends received | **514** | 725 |
| Proceeds from disposal of fixed assets and other long-term assets | **533** | 626 |
| Purchase of investment securities | **(1,150,565)** | (1,035,904) |
| Purchase of fixed assets and other long-term assets | | |
| Acquisition of subsidiaries, associates and joint ventures | **(2,604)** | (745) |
| **Net cash used in investing activities** | **(213,469)** | (9,736) |
| ***Cash flows from financing activities*** | | |
| Issue of bonds | **18,762** | 18,585 |
| Consideration paid for acquisition of non-controlling interests | **-** | (85) |
| Dividends paid | **-** | (11) |
| Repayment of borrowings | **(32,003)** | (3,261) |
| Interest paid on bonds issued | | |
| Cash payment for other financing activities | **(3,311)** | - |
| **Net cash (used in)/from financing activities** | **(19,892)** | 12,510 |

**Consolidated statement of cash flows (continued)**

*(Expressed in millions of RMB, unless otherwise stated)*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** **(Unaudited)** | 2018 (Unaudited) |
| **Effect of exchange rate changes on cash and cash equivalents** | **(293)** | 4,801 |
| **Net (decrease)/increase in cash and cash equivalents** | **(119,476)** | 281,655 |
| **Cash and cash equivalents as at 1 January** | **860,702** | 571,339 |
| **Cash and cash equivalents as at 30 June** | **741,226** | 852,994 |
| **Cash flows from operating activities include:** | | |
| Interest received | **333,719** | 387,289 |
| Interest paid, excluding interest expense on bonds issued | **(159,796)** | (165,427) |

***Notes:***

**(1)** Except for the new or revised IFRSs and Interpretations effective for the six months ended 30 June 2019 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2018.

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

**(3)** For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC and Taiwan.

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

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| Net gain related to financial assets designated as measured at fair value through profit or loss | **5,431** | 8,368 |
| Net loss related to financial liabilities designated as measured at fair value through profit or loss | **(5,406)** | (7,582) |
| Net gain related to other financial assets measured at fair value through profit or loss | **5,649** | 1,961 |
| Net gain related to financial assets measured at fair value through other comprehensive income | **660** | 227 |
| Net revaluation gain reclassified from other comprehensive income on disposal | **124** | 136 |
| Others | **83** | 9 |
| Total | **6,541** | 3,119 |

## (5) Operating expenses

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| Staff costs | | |
| - Salaries, bonuses, allowances and subsidies | **31,660** | 30,269 |
| - Other social insurance and welfare | **4,234** | 3,482 |
| - Housing funds | **3,024** | 3,071 |
| - Union running costs and employee education costs | **1,163** | 928 |
| - Defined contribution plans | **6,299** | 6,287 |
| - Early retirement expenses | **10** | 6 |
| - Compensation to employees for termination of employment relationship | **2** | 1 |
| | **46,392** | 44,044 |
| Premises and equipment expenses | | |
| - Depreciation charges | **10,114** | 7,165 |
| - Rent and property management expenses | **2,250** | 4,679 |
| - Maintenance | **1,181** | 1,048 |
| - Utilities | **826** | 869 |
| - Others | **916** | 887 |
| | **15,287** | 14,648 |
| Taxes and surcharges | **3,031** | 3,190 |
| Amortisation expenses | **1,220** | 1,158 |
| Audit fees | **73** | 74 |
| Other general and administrative expenses | **12,546** | 11,567 |
| Total | **78,549** | 74,681 |

**(6) Income tax expense**

① Income tax expense

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| Current tax | **40,887** | 42,148 |
| - Mainland China | **39,621** | 40,785 |
| - Hong Kong | **721** | 805 |
| - Other countries and regions | **545** | 558 |
| Adjustments for prior years | **33** | - |
| Deferred tax | **(5,448)** | (8,193) |
| Total | **35,472** | 33,955 |

The provisions for income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

② Reconciliation between income tax expense and accounting profit

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | **2019** | 2018 |
| Profit before tax | | **191,180** | 181,420 |
| Income tax calculated at the 25% statutory tax rate | | **47,795** | 45,355 |
| Effects of different applicable rates of tax prevailing in other countries/regions | | **(380)** | (442) |
| Non-deductible expenses | (i) | **4,972** | 3,375 |
| Non-taxable income | (ii) | **(16,948)** | (14,333) |
| Adjustments on income tax for prior years which affect profit or loss | | **33** | - |
| Income tax expense | | **35,472** | 33,955 |

(i) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of deductible amounts under the relevant PRC tax regulations such as staff costs and entertainment expenses.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

## (7) Earnings per share

Basic earnings per share for the six months ended 30 June 2019 and 2018 has been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the periods.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank. The Bank has not declared any dividend on preference shares for the six months ended 30 June 2019.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2019 and 2018, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

| | Six months ended 30 June | |
|---|---|---|
| | 2019 | 2018 |
| Net profit attributable to equity shareholders of the Bank | **154,190** | 147,027 |
| Net profit attributable to ordinary shareholders of the Bank | **154,190** | 147,027 |
| Weighted average number of ordinary shares (in millions of shares) | **250,011** | 250,011 |
| Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan) | **0.62** | 0.59 |
| Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan) | **0.62** | 0.59 |

### (8) Derivatives and hedge accounting

① Analysed by type of contract

| | | **30 June 2019** | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|---|
| | Note | **Notional amounts** | **Assets** | **Liabilities** | Notional amounts | Assets | Liabilities |
| Interest rate contracts | | **332,809** | **1,217** | **1,939** | 302,322 | 1,998 | 1,902 |
| Exchange rate contracts | | **4,422,772** | **26,805** | **24,044** | 4,947,440 | 47,749 | 44,772 |
| Other contracts | (a) | **57,512** | **940** | **2,034** | 89,325 | 854 | 1,851 |
| Total | | **4,813,093** | **28,962** | **28,017** | 5,339,087 | 50,601 | 48,525 |

② Analysed by counterparty credit risk-weighted assets

| | Note | **30 June 2019** | 31 December 2018 |
|---|---|---|---|
| Counterparty credit default risk-weighted assets | | | |
| - Interest rate contracts | | **1,107** | 1,365 |
| - Exchange rate contracts | | **18,056** | 21,402 |
| - Other contracts | (a) | **2,928** | 2,276 |
| Subtotal | | **22,091** | 25,043 |
| Risk-weighted assets for credit Valuation adjustment | | **12,539** | 12,493 |
| Total | | **34,630** | 37,536 |

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets include risk-weighted assets for credit valuation adjustments, with the considerations of the status of counterparty status and maturity characteristics, and include back-to-back client-driven transactions.

(a) Other contracts mainly consist of precious metals and commodity contracts.

## (8) Derivatives and hedge accounting (continued)

③ Hedge accounting

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

| | **30 June 2019** | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | **Notional amounts** | **Assets** | **Liabilities** | Notional amounts | Assets | Liabilities |
| Fair value hedges | | | | | | |
| Interest rate swaps | **45,458** | **170** | **(358)** | 46,452 | 559 | (88) |
| Cross currency swaps | **374** | **3** | **-** | 344 | 17 | - |
| Cash flow hedges | | | | | | |
| Foreign exchange swaps | **95,275** | **840** | **(152)** | 45,146 | 324 | (330) |
| Cross currency swaps | **4,003** | **249** | **(4)** | 4,007 | 238 | (6) |
| Interest rate swaps | **17,536** | **22** | **(209)** | 17,156 | 37 | (79) |
| Total | **162,646** | **1,284** | **(723)** | 113,105 | 1,175 | (503) |

*(a) Fair value hedge*

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, deposits from customers, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net (losses)/gains on fair value hedges are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| Net (losses)/gains on | | |
| - hedging instruments | **(630)** | 340 |
| - hedged items | **645** | (349) |

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the six months ended 30 June 2019 and 2018.

## (8) Derivatives and hedge accounting (continued)

③ Hedge accounting (continued)

*(b) Cash flow hedge*

The Group used foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items were both within five years.

For the six months ended 30 June 2019, the Group's net loss from the cash flow hedge of RMB174 million was recognised in other comprehensive income (for the six months ended 30 June 2018: net loss of RMB342 million) and the gain and loss arising from the ineffective portion of cash flow hedge were immaterial.

## (9) Deposits from customers

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| Demand deposits | | |
| - Corporate customers | **6,204,858** | 5,922,676 |
| - Personal customers | **3,472,455** | 3,313,664 |
| Subtotal | **9,677,313** | 9,236,340 |
| Time deposits (including call deposits) | | |
| - Corporate customers | **3,115,731** | 3,037,130 |
| - Personal customers | **5,229,256** | 4,657,959 |
| Subtotal | **8,344,987** | 7,695,089 |
| Accrued interest | **191,772** | 177,249 |
| Total | **18,214,072** | 17,108,678 |

Deposits from customers include:

| | | **30 June 2019** | 31 December 2018 |
|---|---|---|---|
| ① | Pledged deposits | | |
| | - Deposits for acceptance | **63,185** | 63,385 |
| | - Deposits for guarantee | **68,177** | 76,609 |
| | - Deposits for letter of credit | **12,977** | 19,260 |
| | - Others | **188,472** | 170,860 |
| | Total | **332,811** | 330,114 |
| ② | Outward remittance and remittance payables | **15,138** | 15,341 |

## (10) Commitments and contingent liabilities

① Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loan commitments and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflow.

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| Loan commitments | | |
| - with an original maturity within one year | **153,302** | 150,257 |
| - with an original maturity of one year or over | **333,296** | 306,838 |
| Credit card commitments | **1,002,688** | 923,508 |
| | **1,489,286** | 1,380,603 |
| Bank acceptances | **220,902** | 230,756 |
| Financing guarantees | **52,039** | 51,422 |
| Non-financing guarantees | **1,048,128** | 1,006,748 |
| Sight letters of credit | **36,663** | 34,159 |
| Usance letters of credit | **102,598** | 130,195 |
| Others | **4,049** | 14,841 |
| Total | **2,953,665** | 2,848,724 |

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

② Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| Credit risk-weighted amount of contingent liabilities and commitments | **978,131** | 985,503 |

③ Capital commitments

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

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| Contracted for | **9,084** | 11,792 |

④ Underwriting obligations

As at 30 June 2019, there was no unexpired underwriting commitment of the Group (as at 31 December 2018: nil).

⑤ Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2019, were RMB83,962 million (as at 31 December 2018: RMB81,331 million).

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

⑥ Outstanding litigations and disputes

As at 30 June 2019, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB10,601 million (as at 31 December 2018: RMB9,070 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

⑦ Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

## (11) Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group’s accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as “internal net interest income/expense”. Interest income and expense earned from third parties are referred to as “external net interest income/expense”.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

① Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Auckland, etc. and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

**(11) Operating segments (continued)**

① Geographical segments (continued)

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

- "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

- the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

- the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

- the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

**(11) Operating segments (continued)**

① Geographical segments (continued)

| | Six months ended 30 June 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Yangtze River Delta** | **Pearl River Delta** | **Bohai Rim** | **Central** | **Western** | **Northeastern** | **Head Office** | **Overseas** | **Total** |
| External net interest income | 28,865 | 27,290 | 20,332 | 30,107 | 27,497 | 5,525 | 104,502 | 6,318 | 250,436 |
| Internal net interest income/(expense) | 8,706 | 6,735 | 17,352 | 13,304 | 11,835 | 6,406 | (63,286) | (1,052) | - |
| **Net interest income** | 37,571 | 34,025 | 37,684 | 43,411 | 39,332 | 11,931 | 41,216 | 5,266 | 250,436 |
| Net fee and commission income | 10,782 | 13,073 | 10,813 | 9,514 | 6,020 | 2,323 | 22,922 | 1,248 | 76,695 |
| Net trading gain/(loss) | 39 | 111 | 97 | 106 | 65 | 3 | 4,460 | (23) | 4,858 |
| Dividend income | 44 | - | 28 | 11 | 2 | - | 24 | 305 | 414 |
| Net gain/(loss) arising from investment securities | 2,282 | (112) | (94) | 111 | 245 | 594 | 2,031 | 1,484 | 6,541 |
| Net gain/(loss) on derecognition of financial assets measured at amortised cost | 2 | - | 167 | (1) | - | - | 1,209 | 58 | 1,435 |
| Other operating income, net | (706) | 358 | 619 | 168 | 708 | 41 | 301 | 2,519 | 4,008 |
| **Operating income** | 50,014 | 47,455 | 49,314 | 53,320 | 46,372 | 14,892 | 72,163 | 10,857 | 344,387 |
| Operating expenses | (12,157) | (9,688) | (12,604) | (14,330) | (12,641) | (5,217) | (7,331) | (4,581) | (78,549) |
| Credit impairment losses | (8,633) | (12,256) | (16,671) | (14,038) | (11,621) | (3,194) | (7,887) | (338) | (74,638) |
| Other impairment losses | (6) | (1) | (50) | 25 | 30 | 7 | (121) | (32) | (148) |
| Share of profits of associates and joint ventures | - | - | - | 116 | - | - | - | 12 | 128 |
| **Profit before tax** | 29,218 | 25,510 | 19,989 | 25,093 | 22,140 | 6,488 | 56,824 | 5,918 | 191,180 |
| Capital expenditure | 282 | 222 | 830 | 549 | 556 | 190 | 111 | 2,255 | 4,995 |
| Depreciation and amortisation | 1,691 | 1,482 | 1,833 | 2,176 | 1,835 | 857 | 942 | 518 | 11,334 |
| | **30 June 2019** | | | | | | | | |
| Segment assets | 4,703,295 | 3,680,999 | 5,594,081 | 4,373,564 | 3,654,045 | 1,263,005 | 9,282,829 | 1,651,213 | 34,203,031 |
| Long-term equity investments | 1 | - | 2,512 | 7,389 | - | - | - | 522 | 10,424 |
| | 4,703,296 | 3,680,999 | 5,596,593 | 4,380,953 | 3,654,045 | 1,263,005 | 9,282,829 | 1,651,735 | 34,213,455 |
| Deferred tax assets | | | | | | | | | 63,730 |
| Elimination | | | | | | | | | (9,894,034) |
| Total assets | | | | | | | | | 24,383,151 |
| Segment liabilities | 4,678,413 | 3,647,923 | 5,479,901 | 4,363,267 | 3,637,594 | 1,258,607 | 7,603,503 | 1,535,549 | 32,204,757 |
| Deferred tax liabilities | | | | | | | | | 390 |
| Elimination | | | | | | | | | (9,894,034) |
| Total liabilities | | | | | | | | | 22,311,113 |
| Off-balance sheet credit commitments | 508,834 | 462,398 | 665,318 | 526,987 | 390,919 | 141,482 | - | 257,727 | 2,953,665 |

**(11) Operating segments (continued)**

① Geographical segments (continued)

| | Six months ended 30 June 2018 (Restated) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | Total |
| External net interest income | 27,633 | 25,386 | 20,719 | 29,121 | 28,207 | 7,274 | 93,516 | 7,630 | 239,486 |
| Internal net interest income/(expense) | 10,339 | 7,804 | 15,377 | 13,330 | 12,151 | 4,937 | (61,257) | (2,681) | - |
| **Net interest income** | 37,972 | 33,190 | 36,096 | 42,451 | 40,358 | 12,211 | 32,259 | 4,949 | 239,486 |
| Net fee and commission income | 11,104 | 11,044 | 10,542 | 9,203 | 5,552 | 2,262 | 17,707 | 1,590 | 69,004 |
| Net trading gain/(loss) | 299 | 452 | 289 | 209 | 150 | 51 | 5,457 | 1,005 | 7,912 |
| Dividend income | 52 | - | - | 13 | 3 | - | 211 | 133 | 412 |
| Net (loss)/gain arising from investment securities | (451) | (46) | (11) | 299 | (197) | - | 2,466 | 1,059 | 3,119 |
| Net gain/(loss) on derecognition of financial assets measured at amortised cost | 4 | - | - | - | - | - | (2,434) | 65 | (2,365) |
| Other operating income, net | 130 | 292 | 710 | 246 | 860 | 73 | 713 | 2,137 | 5,161 |
| **Operating income** | 49,110 | 44,932 | 47,626 | 52,421 | 46,726 | 14,597 | 56,379 | 10,938 | 322,729 |
| Operating expenses | (12,351) | (9,450) | (12,340) | (13,679) | (12,177) | (5,22) | (6,091) | (3,371) | (74,681) |
| Credit impairment losses | (7,185) | (5,835) | (15,441) | (11,081) | (7,730) | (9,026) | (10,294) | (437) | (67,029) |
| Other impairment losses | 26 | 33 | (52) | (13) | 8 | (16) | 259 | 4 | 249 |
| Share of profits of associates and joint ventures | - | - | - | 83 | - | - | - | 69 | 152 |
| **Profit before tax** | 29,600 | 29,680 | 19,793 | 27,731 | 26,827 | 333 | 40,253 | 7,203 | 181,420 |
| Capital expenditure | 382 | 196 | 2,516 | 556 | 387 | 227 | 120 | 918 | 5,302 |
| Depreciation and amortisation | 1,303 | 913 | 1,262 | 1,749 | 1,408 | 745 | 707 | 236 | 8,323 |
| | 31 December 2018 | | | | | | | | |
| Segment assets | 4,552,907 | 3,568,920 | 5,294,858 | 4,200,214 | 3,448,750 | 1,179,534 | 9,090,812 | 1,693,490 | 33,029,485 |
| Long-term equity investments | 1 | - | 6 | 6,966 | - | - | - | 1,029 | 8,002 |
| | 4,552,908 | 3,568,920 | 5,294,864 | 4,207,180 | 3,448,750 | 1,179,534 | 9,090,812 | 1,694,519 | 33,037,487 |
| Deferred tax assets | | | | | | | | | 58,730 |
| Elimination | | | | | | | | | (9,873,524) |
| Total assets | | | | | | | | | 23,222,693 |
| Segment liabilities | 4,545,367 | 3,572,390 | 5,280,416 | 4,208,014 | 3,453,631 | 1,189,598 | 7,280,378 | 1,574,344 | 31,104,138 |
| Deferred tax liabilities | | | | | | | | | 485 |
| Elimination | | | | | | | | | (9,873,524) |
| Total liabilities | | | | | | | | | 21,231,099 |
| Off-balance sheet credit commitments | 512,137 | 461,552 | 653,558 | 495,996 | 378,075 | 143,531 | 100 | 203,775 | 2,848,724 |

## (11) Operating segments (continued)

② Business segments

Business segments, as defined for management reporting purposes, are as follows:

*Corporate banking*

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

*Personal banking*

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

*Treasury business*

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

*Others*

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

**(11) Operating segments (continued)**

② Business segments (continued)

| | Six months ended 30 June 2019 | | | | |
|---|---|---|---|---|---|
| | **Corporate banking** | **Personal banking** | **Treasury business** | **Others** | **Total** |
| External net interest income | **93,280** | **57,009** | **90,423** | **9,724** | **250,436** |
| Internal net interest income/(expenses) | **24,612** | **30,856** | **(52,464)** | **(3,004)** | **-** |
| **Net interest income** | **117,892** | **87,865** | **37,959** | **6,720** | **250,436** |
| Net fee and commission income | **17,971** | **45,729** | **9,447** | **3,548** | **76,695** |
| Net trading (loss)/gain | **(119)** | **(30)** | **1,803** | **3,204** | **4,858** |
| Dividend income | **-** | **-** | **2** | **412** | **414** |
| Net (loss)/gain arising from investment securities | **(1,401)** | **(1,796)** | **5,346** | **4,392** | **6,541** |
| Net (loss)/gain on derecognition of financial assets measured at amortised cost | **(1)** | **1,174** | **36** | **226** | **1,435** |
| Other operating income, net | **5** | **335** | **635** | **3,033** | **4,008** |
| **Operating income** | **134,347** | **133,277** | **55,228** | **21,535** | **344,387** |
| Operating expenses | **(28,574)** | **(38,079)** | **(4,946)** | **(6,950)** | **(78,549)** |
| Credit impairment losses | **(61,884)** | **(9,309)** | **(2,475)** | **(970)** | **(74,638)** |
| Other impairment losses | **(13)** | **-** | **(69)** | **(66)** | **(148)** |
| Share of profits of associates and joint ventures | **-** | **-** | **-** | **128** | **128** |
| **Profit before tax** | **43,876** | **85,889** | **47,738** | **13,677** | **191,180** |
| Capital expenditure | **938** | **1,400** | **151** | **2,506** | **4,995** |
| Depreciation and amortisation | **3,939** | **5,884** | **633** | **878** | **11,334** |
| | **30 June 2019** | | | | |
| Segment assets | **7,998,752** | **6,312,186** | **8,646,673** | **1,472,615** | **24,430,226** |
| Long-term equity investments | **-** | **-** | **-** | **10,424** | **10,424** |
| | **7,998,752** | **6,312,186** | **8,646,673** | **1,483,039** | **24,440,650** |
| Deferred tax assets | | | | | **63,730** |
| Elimination | | | | | **(121,229)** |
| Total assets | | | | | **24,383,151** |
| Segment liabilities | **10,423,558** | **9,002,984** | **945,596** | **2,059,814** | **22,431,952** |
| Deferred tax liabilities | | | | | **390** |
| Elimination | | | | | **(121,229)** |
| Total liabilities | | | | | **22,311,113** |
| Off-balance sheet credit commitments | **1,735,220** | **960,718** | **-** | **257,727** | **2,953,665** |

**(11) Operating segments (continued)**

② Business segments (continued)

| | Six months ended 30 June 2018 (Restated) | | | | |
|---|---|---|---|---|---|
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| External net interest income | 83,937 | 61,176 | 84,221 | 10,152 | 239,486 |
| Internal net interest income/(expenses) | 34,395 | 30,069 | (61,862) | (2,602) | - |
| **Net interest income** | 118,332 | 91,245 | 22,359 | 7,550 | 239,486 |
| Net fee and commission income | 17,927 | 38,682 | 7,407 | 4,988 | 69,004 |
| Net trading (loss)/gain | (104) | (53) | 2,506 | 5,563 | 7,912 |
| Dividend income | - | - | - | 412 | 412 |
| Net (loss)/gain arising from investment securities | (1,966) | (1,944) | 7,251 | (222) | 3,119 |
| Net (loss)/gain on derecognition of financial assets measured at amortised cost | (2,452) | - | 18 | 69 | (2,365) |
| Other operating income, net | 20 | 364 | 3,684 | 1,093 | 5,161 |
| **Operating income** | 131,757 | 128,294 | 43,225 | 19,453 | 322,729 |
| Operating expenses | (25,965) | (37,982) | (4,518) | (6,216) | (74,681) |
| Credit impairment losses | (56,650) | (9,587) | (356) | (436) | (67,029) |
| Other impairment losses | 1 | - | 336 | (88) | 249 |
| Share of profits of associates and joint ventures | - | - | - | 152 | 152 |
| **Profit before tax** | 49,143 | 80,725 | 38,687 | 12,865 | 181,420 |
| Capital expenditure | 818 | 1,291 | 140 | 3,053 | 5,302 |
| Depreciation and amortisation | 2,878 | 4,541 | 492 | 412 | 8,323 |
| | 31 December 2018 | | | | |
| Segment assets | 7,555,369 | 6,043,043 | 8,252,601 | 1,526,264 | 23,377,277 |
| Long-term equity investments | - | - | - | 8,002 | 8,002 |
| | 7,555,369 | 6,043,043 | 8,252,601 | 1,534,266 | 23,385,279 |
| Deferred tax assets | | | | | 58,730 |
| Elimination | | | | | (221,316) |
| Total assets | | | | | 23,222,693 |
| Segment liabilities | 10,098,929 | 8,256,278 | 1,058,771 | 2,037,952 | 21,451,930 |
| Deferred tax liabilities | | | | | 485 |
| Elimination | | | | | (221,316) |
| Total liabilities | | | | | 21,231,099 |
| Off-balance sheet credit commitments | 1,771,513 | 873,436 | - | 203,775 | 2,848,724 |

# 3 Unaudited supplementary financial information

## 3.1 Liquidity coverage ratio and net stable funding ratio

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the second quarter of 2019 was 143.88% and the net stable funding ratio was 128.41% as at the end of June 2019.

| No. | (In millions of RMB, except percentages) | Value before translation | Value after translation |
|---|---|---|---|
| **Qualified and high-quality liquid assets** | | | |
| 1 | Qualified and high-quality liquid assets | | |
| **Cash outflow** | | | |
| 2 | Deposits from retail and deposits from small enterprise customers, including: | 8,418,476 | 715,233 |
| 3 | Stable deposits | 2,532,007 | 126,586 |
| 4 | Deposits with a low degree of stability | 5,886,469 | 588,647 |
| 5 | Unsecured (unpledged) wholesale financing, including: | 9,154,330 | 3,040,095 |
| 6 | Business relations deposits (excluding agent bank business) | 6,221,660 | 1,545,039 |
| 7 | Non-business relations deposits (all counterparties) | 2,846,388 | 1,408,774 |
| 8 | Unsecured (unpledged) debts | 86,282 | 86,282 |
| 9 | Secured (pledged) financing | | 128 |
| 10 | Other items, including: | 1,666,244 | 191,486 |
| 11 | Cash outflows related to the requirement of derivatives and other collateral (pledges) | 40,251 | 40,251 |
| 12 | Cash outflows related to financing loss on mortgage (pledged) debt instruments | 9,392 | 9,392 |
| 13 | Credit facilities and liquidity facilities | 1,616,601 | 141,843 |
| 14 | Other contractual financing obligations | 18 | - |
| 15 | Contingent financing obligations | 3,163,982 | 372,558 |
| 16 | **Total amount of expected cash outflows** | | 4,319,500 |
| **Cash inflow** | | | |
| 17 | Mortgage (pledged) lending (including reverse repurchase and borrowed securities) | 323,130 | 314,563 |
| 18 | Cash inflow from normal full settlement | 1,463,788 | 966,344 |
| 19 | Other cash inflows | 44,442 | 41,844 |
| 20 | **Total amount of expected cash inflows** | 1,831,360 | 1,322,751 |
| **Value after adjustment** | | | |
| 21 | **Qualified and high-quality liquid assets** | | 4,309,848 |
| 22 | **Net cash outflows** | | 2,996,749 |
| 23 | **Liquidity coverage ratio (%)[1]** | | 143.88 |

1.The above figures represent simple arithmetic means of the values for 91 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

## 3.1 Liquidity coverage ratio and net stable funding ratio (continued)

**The following tables set forth quantitative information on the net stable funding ratio at the end of the fourth quarter of 2018 and the end of the first and second quarters of 2019.**

| No. | (In RMB millions, except percentages) | **30 June 2019** Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | **31 March 2019** Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | 31 December 2018 Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net stable funding ratio (NSFR)** | | | | | | | | | | | | | | | | |
| 1 | Capital | - | - | - | 2,261,084 | 2,261,084 | - | - | - | 2,257,950 | 2,257,950 | - | - | - | 2,185,554 | 2,185,554 |
| 2 | Regulatory capital | - | - | - | 2,261,084 | 2,261,084 | - | - | - | 2,257,950 | 2,257,950 | - | - | - | 2,185,554 | 2,185,554 |
| 3 | Other capital instrument | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Deposits from retail and deposits from small enterprise customers | 6,140,357 | 2,767,313 | 165,382 | 733,637 | 9,033,490 | 6,061,541 | 2,913,709 | 172,867 | 643,598 | 9,014,478 | 6,061,842 | 2,505,643 | 156,245 | 411,208 | 8,388,794 |
| 5 | Stable deposits | 2,671,856 | 7,731 | 2,550 | 3,941 | 2,551,972 | 2,737,666 | 11,599 | 2,261 | 3,839 | 2,617,788 | 2,523,367 | - | 1,235 | 2,863 | 2,401,235 |
| 6 | Deposits with a low degree of stability | 3,468,501 | 2,759,582 | 162,831 | 729,696 | 6,481,518 | 3,323,875 | 2,902,110 | 170,605 | 639,759 | 6,396,690 | 3,538,475 | 2,505,643 | 155,009 | 408,345 | 5,987,559 |
| 7 | Wholesale financing | 5,651,864 | 4,978,654 | 707,355 | 400,343 | 5,500,536 | 5,365,289 | 5,160,574 | 772,825 | 418,927 | 5,372,516 | 6,237,044 | 4,260,500 | 697,142 | 408,250 | 5,311,499 |
| 8 | Business relations deposits | 5,430,729 | 1,103,592 | 9,890 | 3,035 | 3,275,141 | 5,228,225 | 916,943 | 6,263 | 7,473 | 3,083,189 | 6,014,447 | 109,400 | 16,141 | 12,922 | 3,082,916 |

## 3.1 Liquidity coverage ratio and net stable funding ratio (continued)

| No. | (In RMB millions, except percentages) | 30 June 2019 Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | 31 March 2019 Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | 31 December 2018 Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net stable funding ratio (NSFR)** | | | | | | | | | | | | | | | | |
| 9 | Other wholesale financing | 221,135 | 3,875,062 | 697,465 | 397,308 | 2,225,395 | 137,064 | 4,243,631 | 766,561 | 411,454 | 2,289,327 | 222,597 | 4,151,100 | 681,001 | 395,329 | 2,228,584 |
| 10 | Interdependent liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | Other liabilities | - | 328,741 | 43,989 | 204,486 | 196,687 | - | 97,763 | 22,598 | 303,274 | 269,646 | - | 119,286 | 38,915 | 140,709 | 108,835 |
| 12 | Net stable funding ratio (NSFR)derivative liabilities | | | | 29,793 | | | | | 44,927 | | | | | 51,331 | |
| 13 | All other liabilities and equities not included above | - | 328,741 | 43,989 | 174,693 | 196,687 | - | 97,763 | 22,598 | 258,347 | 269,646 | - | 119,286 | 38,915 | 89,377 | 108,835 |
| 14 | **Total available stable funding** | | | | | 16,991,797 | | | | | 16,914,591 | | | | | 15,994,683 |
| 15 | Qualified and high-quality liquid assets of net stable funding ratio | | | | | 1,136,639 | | | | | 1,146,142 | | | | | 1,237,896 |
| 16 | Business relations deposits (deposited in financial institutions) | 39,576 | 60,748 | 2,274 | 1,456 | 52,857 | 41,927 | 16,935 | 1,474 | 889 | 31,105 | 32,789 | 14,085 | 50 | 936 | 24,438 |

## 3.1 Liquidity coverage ratio and net stable funding ratio (continued)

| No. | (In RMB millions, except percentages) | **30 June 2019** Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | **31 March 2019** Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | 31 December 2018 Value before translation Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net stable funding ratio (NSFR)** | | | | | | | | | | | | | | | | |
| 17 | Loans and securities | 758,656 | 3,394,694 | 2,128,769 | 9,886,073 | 11,164,184 | 722,496 | 3,558,317 | 2,052,805 | 9,722,571 | 11,007,335 | 734,279 | 3,116,573 | 1,941,793 | 9,341,438 | 10,490,449 |
| 18 | Loans issued to financial institutions guaranteed by Tier-1 assets | - | 375,680 | - | - | 56,352 | - | 284,491 | - | - | 42,674 | - | 119,649 | - | - | 17,947 |
| 19 | Loans issued to financial institutions guaranteed or not guaranteed by non-Tier-1 assets | - | 972,143 | 360,707 | 193,682 | 536,644 | - | 1,187,319 | 311,533 | 232,869 | 576,698 | - | 1,094,611 | 277,730 | 141,284 | 457,247 |
| 20 | Loans issued to retail and small enterprise customers, non-financial institutions, sovereigns, central banks and public sector entities | 675,718 | 1,794,311 | 1,575,879 | 4,802,357 | 6,108,374 | 639,240 | 1,810,846 | 1,554,157 | 4,754,401 | 6,047,917 | 651,570 | 1,693,115 | 1,488,469 | 4,617,295 | 5,844,037 |
| 21 | Including: the risk weight is not higher than 35% | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## 3.1 Liquidity coverage ratio and net stable funding ratio (continued)

| | | **30 June 2019** | | | | | **31 March 2019** | | | | | 31 December 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Value before translation** | | | | **Value after translation** | **Value before translation** | | | | **Value after translation** | Value before translation | | | | Value after translation |
| **No.** | (In RMB millions, except percentages) | **Indefinite** | **< 6 months** | **6-12 months** | **≥1 year** | | **Indefinite** | **< 6 months** | **6-12 months** | **≥1 year** | | Indefinite | < 6 months | 6-12 months | ≥1 year | |
| 22 | Residential mortgage loans | - | 151,784 | 153,627 | 4,771,088 | 4,208,130 | - | 145,720 | 147,661 | 4,630,010 | 4,082,199 | - | 141,125 | 142,592 | 4,493,416 | 3,961,262 |
| 23 | Including: the risk weight is not higher than 35% | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 24 | Non-default securities that do not meet the criteria for qualified quality liquid assets, including equity securities traded on exchanges | 82,938 | 100,775 | 38,555 | 118,947 | 254,683 | 83,256 | 129,941 | 39,454 | 105,291 | 257,847 | 82,709 | 68,073 | 33,003 | 89,442 | 209,956 |
| 25 | Interdependent assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 26 | Other assets | 36,980 | 512,048 | 74,951 | 113,762 | 713,258 | 34,281 | 451,600 | 62,442 | 348,423 | 862,824 | 34,000 | 400,352 | 65,518 | 292,173 | 754,233 |
| 27 | Barter commodities (including gold) | 36,980 | | | | 31,433 | 34,281 | | | | 29,139 | 34,000 | | | | 28,900 |
| 28 | Initial margin for derivatives provided and default funds provided to central counterparties | | | | 881 | 749 | | | | 1,039 | 883 | | | | 878 | 746 |

## 3.1 Liquidity coverage ratio and net stable funding ratio (continued)

| No. | (In RMB millions, except percentages) | 30 June 2019 Value before translation: Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | 31 March 2019 Value before translation: Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation | 31 December 2018 Value before translation: Indefinite | < 6 months | 6-12 months | ≥1 year | Value after translation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net stable funding ratio (NSFR)** | | | | | | | | | | | | | | | | |
| 29 | Net stable funding ratio derivatives liabilities | | | | 21,634 | - | | | | 35,632 | - | | | | 42,737 | - |
| 30 | Additional requirements for derivatives | | | | 5,974[1] | 5,974 | | | | 9,026[1] | 9,026 | | | | 10,304[1] | 10,304 |
| 31 | All other assets not included above | - | 512,048 | 74,951 | 91,247 | 675,102 | - | 451,600 | 62,442 | 311,753 | 823,777 | - | 400,352 | 65,518 | 248,558 | 714,282 |
| 32 | Off-balance sheet items | | | | 4,619,898 | 165,955 | | | | 4,413,533 | 155,294 | | | | 4,507,170 | 138,862 |
| 33 | **Total required stable funding** | | | | | 13,232,894 | | | | | 13,202,701 | | | | | 12,645,878 |
| 34 | **Net stable funding ratio (%)** | | | | | 128.41% | | | | | 128.11% | | | | | 126.48% |

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in “26 Other Assets”.

According to the regulatory requirements, definitions and accounting standards applicable in the current period, as at 30 June 2019, the Group’s net stable funding ratio was 128.41%, from which the available stable funding was RMB16,991,797 million against the required stable funding of RMB13,232,894 million.

## 3.2 Leverage ratio

The Group calculated its leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in 2015. As at 30 June 2019, the Group's leverage ratio was 7.98%, meeting the regulatory requirements.

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

| (In millions of RMB, except percentages) | **As at 30 June 2019** | **As at 31 March 2019** | As at 31 December 2018 | As at 31 December 2018 |
|---|---|---|---|---|
| **Leverage ratio** | **7.98%** | **8.05%** | 8.05% | 7.78% |
| Tier 1 capital after regulatory adjustments | **2,045,186** | **2,042,655** | 1,969,110 | 1,914,471 |
| On and off-balance sheet assets after adjustments | **25,616,737** | **25,383,975** | 24,460,149 | 24,610,588 |

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

| (In millions of RMB) | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| Total on-balance sheet assets[1] | **24,383,151** | 23,222,693 |
| Consolidated adjustment[2] | **(117,131)** | (125,786) |
| Derivatives adjustment | **61,903** | 64,440 |
| Securities financing transactions adjustment | **827** | 678 |
| Off-balance sheet items adjustment[3] | **1,300,485** | 1,307,807 |
| Other adjustments[4] | **(12,498)** | (9,683) |
| **On and off-balance sheet assets after adjustments** | **25,616,737** | 24,460,149 |

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

## 3.2 Leverage ratio (continued)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

| (In millions of RMB, except percentages) | **As at 30 June 2019** | As at 31 December 2018 |
|---|---|---|
| On-balance sheet assets (excluding derivatives and securities financing transactions)[1] | **23,790,637** | 22,847,332 |
| Less: Regulatory adjustments to Tier 1 capital | **(12,498)** | (9,683) |
| **On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)** | **23,778,139** | 22,837,649 |
| Replacement costs of various derivatives (excluding eligible margin) | **31,976** | 53,984 |
| Potential risk exposures of various derivatives | **58,442** | 60,899 |
| Nominal principals arising from sales of credit derivatives | **425** | 80 |
| **Derivative assets** | **90,843** | 114,963 |
| Accounting assets arising from securities financing transactions | **446,443** | 199,052 |
| Counterparty credit risk exposure arising from securities financing transactions | **827** | 678 |
| **Securities financing transactions assets** | **447,270** | 199,730 |
| Off-balance sheet assets [3] | **3,376,294** | 2,848,724 |
| Less: Decrease in off-balance sheet assets due to credit conversion | **(2,075,809)** | (1,540,917) |
| **Off-balance sheet assets after adjustments** | **1,300,485** | 1,307,807 |
| Tier 1 capital after regulatory adjustments | **2,045,186** | 1,969,110 |
| On and off-balance sheet assets after adjustments | **25,616,737** | 24,460,149 |
| **Leverage Ratio[2]** | **7.98%** | 8.05% |

1.These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated through dividing Tier 1 capital after deduction by on and off-balance sheet assets after adjustments.
3. Off-balance sheet assets include loan commitments can be revoked at any time unconditionally.

## 3.3 Currency concentrations

| | 30 June 2019 | | | |
|---|---|---|---|---|
| | **USD (RMB equivalent)** | **HKD (RMB equivalent)** | **Others (RMB equivalent)** | **Total** |
| Spot assets | **1,045,934** | **328,517** | **457,203** | **1,831,654** |
| Spot liabilities | **(1,108,266)** | **(383,652)** | **(347,757)** | **(1,839,675)** |
| Forward purchases | **2,551,091** | **263,543** | **303,594** | **3,118,228** |
| Forward sales | **(2,453,057)** | **(166,540)** | **(388,566)** | **(3,008,163)** |
| Net option position | **(18,045)** | **-** | **-** | **(18,045)** |
| Net long position | **17,657** | **41,868** | **24,474** | **83,999** |
| Net structural position | **39,597** | **2,340** | **(15,745)** | **26,192** |

| | 31 December 2018 | | | |
|---|---|---|---|---|
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total |
| Spot assets | 1,053,925 | 336,580 | 402,370 | 1,792,875 |
| Spot liabilities | (1,029,400) | (371,917) | (291,300) | (1,692,617) |
| Forward purchases | 2,765,210 | 181,417 | 205,064 | 3,151,691 |
| Forward sales | (2,760,568) | (106,381) | (296,062) | (3,163,011) |
| Net option position | (13,216) | 16 | - | (13,200) |
| Net long position | 15,951 | 39,715 | 20,072 | 75,738 |
| Net structural position | 37,835 | 2,131 | (15,523) | 24,443 |

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;

- capital and statutory reserves of overseas branches; and

- investments in overseas subsidiaries and related companies.

## 3.4 International claims

The Group is principally engaged in business operations within Mainland China. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

| | **30 June 2019** | | | | |
|---|---|---|---|---|---|
| | **Banks** | **Public sector entities** | **Non-bank private institutions** | **Others** | **Total** |
| Asia Pacific | **354,419** | **105,665** | **749,558** | **13,221** | **1,222,863** |
| - of which attributed to Hong Kong | **19,543** | **31,916** | **306,341** | **-** | **357,800** |
| Europe | **28,887** | **77,788** | **62,052** | **-** | **168,727** |
| North and South America | **28,325** | **121,971** | **114,912** | **10** | **265,218** |
| Africa | **4,302** | **5,068** | **4,465** | **-** | **13,835** |
| Total | **415,933** | **310,492** | **930,987** | **13,231** | **1,670,643** |

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Banks | Public sector entities | Non-bank private institutions | Others | Total |
| Asia Pacific | 414,821 | 88,488 | 849,512 | 7,726 | 1,360,547 |
| - of which attributed to Hong Kong | 76,294 | 34,337 | 142,935 | 1,791 | 255,357 |
| Europe | 28,634 | 30,677 | 48,577 | 764 | 108,652 |
| North and South America | 23,568 | 129,100 | 77,530 | 16,593 | 246,791 |
| Total | 467,023 | 248,265 | 975,619 | 25,083 | 1,715,990 |

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

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| Central | **26,935** | 21,981 |
| Western | **26,913** | 22,512 |
| Bohai Rim | **24,731** | 22,079 |
| Yangtze River Delta | **18,985** | 17,528 |
| Pearl River Delta | **16,814** | 14,564 |
| Northeastern | **15,489** | 13,512 |
| Head office | **8,584** | 6,730 |
| Overseas | **1,329** | 1,770 |
| Total | **139,780** | 120,676 |

According to regulation requirements, the above analysis represents the gross amount of loans and advances overdue for more than three months.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

## 3.6 Exposures to non-banks in Mainland China

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2019, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

# 4 MANAGEMENT DISCUSSION & ANALYSIS

## 4.1 FINANCIAL REVIEW

In the first half of 2019, the global economy faced downside risks with weakened growth momentum. The major advanced economies diverged as growth slowed. The US economy remained stable, while starting to show signs of slowing down. The Eurozone economies improved, but downside risks persisted. The Japan’s economy underwent increased fluctuations. The emerging market economies remained weak. Affected by trade frictions and downward economic pressures, the major advanced economies changed the direction of monetary policies, while some emerging economies chose to cut interest rates.

China’s economic development remained stable on the whole, albeit with increased downside pressures. The economic structure continued to improve, consumer prices rose moderately, monetary policy remained prudent, and liquidity remained reasonably sufficient. The GDP increased by 6.3%, and consumer price index and producer price index increased by 2.2% and 0.3% year on year respectively. The broad money supply M2 increased by 8.5%, and the total social financing increased by 10.9% year on year.

The regulators issued policies to support rural revitalisation, facilitate poverty alleviation and support private enterprises, guiding commercial banks to support the development of the real economy. In addition to encouraging and supporting commercial banks to replenish capital base through multiple channels, they strengthened regulatory measures for anti-money laundering and counter-terrorist financing and compliance operations of overseas institutions. The banking industry continued to maintain good development momentum.

The Group persisted with prudent operations and innovation-driven development. In the first half of 2019, the operating results remained solid with steady improvement, and the quality and efficiency for serving the real economy were further enhanced. Assets and liabilities saw relatively rapid growth, profits rose steadily, risk prevention and control measures were robust and effective, and the foundation for development was further consolidated.

### 4.1.1 Statement of Comprehensive Income Analysis

In the first half of 2019, the profitability of the Group achieved steady growth with profit before tax of RMB191,180 million, an increase of 5.38% over the same period of 2018, and net profit of RMB155,708 million, an increase of 5.59% over the same period of 2018. Key factors affecting the Group's profitability are as follows. First, the growth of interest-earning assets led to a steady increase in net interest income, which increased by RMB10,950 million, or 4.57% over the same period of 2018. Second, net fee and commission income increased by RMB7,691 million, or 11.15% over the same period last year. Income from credit cards, agency insurance services and syndicated loans increased rapidly. Income from asset custody and WMPs increased steadily. Third, the Group continued to improve cost management and optimise cost structure. Operating expenses increased by 5.18% over the same period of 2018, keeping in line with profit growth. The cost-income ratio was 21.93%, or 0.22 percentage points lower than that for the same period of 2018, staying at a sound level. In line with its prudent approach, the Group made sufficient provisions for impairment losses on loans and advances, with impairment losses of RMB74,786 million, an increase of 11.99% over the same period last year.

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2019** | **Six months ended 30 June 2018** | **Change (%)** |
|---|---|---|---|
| Net interest income | 250,436 | 239,486 | 4.57 |
| Net non-interest income | 93,951 | 83,243 | 12.86 |
| - Net fee and commission income | 76,695 | 69,004 | 11.15 |
| **Operating income** | 344,387 | 322,729 | 6.71 |
| Operating expenses | (78,549) | (74,681) | 5.18 |
| Credit impairment losses | (74,638) | (67,029) | 11.35 |
| Other impairment losses | (148) | 249 | (159.44) |
| Share of profit of associates and joint ventures | 128 | 152 | (15.79) |
| **Profit before tax** | 191,180 | 181,420 | 5.38 |
| Income tax expenses | (35,472) | (33,955) | 4.47 |
| **Net profit** | 155,708 | 147,465 | 5.59 |

#### Net interest income

In the first half of 2019, the Group's net interest income reached RMB250,436 million, an increase of RMB10,950 million, or 4.57%, over the same period last year. The net interest income accounted for 72.72% of the operating income.

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

| (In millions of RMB, except percentages) | Six months ended 30 June 2019 | | | Six months ended 30 June 2018 | | |
|---|---|---|---|---|---|---|
| | **Average balance** | **Interest income/ expense** | **Average yield/cost (%)** | **Average balance** | **Interest income/ expense** | **Average yield/cost (%)** |
| **Assets** | | | | | | |
| Gross loans and advances to customers | 13,745,297 | 306,266 | 4.49 | 12,842,398 | 274,773 | 4.31 |
| Financial investments | 5,115,038 | 92,498 | 3.65 | 4,477,357 | 84,312 | 3.80 |
| Deposits with central banks | 2,364,732 | 17,606 | 1.50 | 2,625,361 | 19,878 | 1.53 |
| Deposits and placements with banks and non-bank financial institutions | 898,279 | 11,473 | 2.58 | 684,299 | 11,701 | 3.45 |
| Financial assets held under resale agreements | 377,396 | 4,603 | 2.46 | 298,658 | 4,656 | 3.14 |
| Total interest-earning assets | 22,500,742 | 432,446 | 3.88 | 20,928,073 | 395,320 | 3.81 |
| Total allowances for impairment losses | (437,688) | | | (366,351) | | |
| Non-interest-earning assets | 2,089,345 | | | 2,578,129 | | |
| Total assets | 24,152,399 | 432,446 | | 23,139,851 | 395,320 | |
| **Liabilities** | | | | | | |
| Deposits from customers | 17,672,434 | 135,768 | 1.55 | 16,558,239 | 109,852 | 1.34 |
| Deposits and placements from banks and non-bank financial institutions | 1,955,709 | 24,469 | 2.52 | 1,765,494 | 24,466 | 2.79 |
| Debt securities issued | 774,694 | 13,932 | 3.63 | 612,892 | 13,091 | 4.31 |
| Borrowings from central banks | 439,849 | 7,222 | 3.31 | 477,656 | 7,606 | 3.21 |
| Financial assets sold under repurchase agreements | 41,522 | 619 | 3.01 | 58,013 | 819 | 2.85 |
| Total interest-bearing liabilities | 20,884,208 | 182,010 | 1.76 | 19,472,294 | 155,834 | 1.61 |
| Non-interest-bearing liabilities | 1,193,480 | | | 1,848,641 | | |
| Total liabilities | 22,077,688 | 182,010 | | 21,320,935 | 155,834 | |
| **Net interest income** | | **250,436** | | | **239,486** | |
| **Net interest spread** | | | **2.12** | | | **2.20** |
| **Net interest margin** | | | **2.27** | | | **2.34** |

In the first half of 2019, affected by the lower market interest rates in general and more intense market competition, the Group's yield on interest-earning assets rose more slowly than the cost of interest-bearing liabilities. As a result, net interest spread dropped to 2.12%, down 8 basis points from the same period last year; net interest margin was 2.27%, down 7 basis points from the same period last year.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the changes in interest income and expenses in the first half of 2019 as compared with the same period last year.

| (In millions of RMB) | Volume factor [1] | Interest rate factor [1] | Change in interest income/expense |
|---|---|---|---|
| **Assets** | | | |
| Gross loans and advances to customers | 19,757 | 11,736 | 31,493 |
| Financial investments | 11,625 | (3,439) | 8,186 |
| Deposits with central banks | (1,897) | (375) | (2,272) |
| Deposits and placements with banks and non-bank financial institutions | 3,142 | (3,370) | (228) |
| Financial assets held under resale agreements | 1,077 | (1,130) | (53) |
| **Change in interest income** | 33,704 | 3,422 | 37,126 |
| **Liabilities** | | | |
| Deposits from customers | 7,785 | 18,131 | 25,916 |
| Deposits and placements from banks and non-bank financial institutions | 2,492 | (2,489) | 3 |
| Debt securities issued | 3,114 | (2,273) | 841 |
| Borrowings from central banks | (615) | 231 | (384) |
| Financial assets sold under repurchase agreements | (244) | 44 | (200) |
| **Change in interest expense** | 12,532 | 13,644 | 26,176 |
| **Change in net interest income** | 21,172 | (10,222) | 10,950 |

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

Net interest income increased by RMB10,950 million as compared to the same period last year, mainly driven by the RMB21,172 million increase in net interest income due to movements of average balances of assets and liabilities, offset by the RMB10,222 million decrease in net interest income due to movements of average yields and costs.

***Interest income***

In the first half of 2019, the Group's interest income increased by RMB37,126 million or 9.39% over the same period last year to RMB432,446 million. In this amount, the proportions of interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and interest income from financial assets held under resale agreements were 70.82%, 21.39%, 4.07%, 2.66% and 1.06%, respectively.

*Interest income from loans and advances to customers*

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

| (In millions of RMB, except percentages) | Six months ended 30 June 2019 | | | Six months ended 30 June 2018 | | |
|---|---|---|---|---|---|---|
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| **Corporate loans and advances** | 6,721,133 | 146,403 | 4.39 | 6,500,127 | 138,819 | 4.31 |
| Short-term loans | 2,119,244 | 44,608 | 4.24 | 2,419,128 | 50,674 | 4.22 |
| Medium to long-term loans | 4,601,889 | 101,795 | 4.46 | 4,080,999 | 88,145 | 4.36 |
| **Personal loans and advances** | 5,595,148 | 131,364 | 4.73 | 4,994,257 | 113,176 | 4.57 |
| Short-term loans | 472,096 | 10,518 | 4.49 | 450,196 | 9,894 | 4.43 |
| Medium to long-term loans | 5,123,052 | 120,846 | 4.76 | 4,544,061 | 103,282 | 4.58 |
| **Discounted bills** | 363,568 | 6,100 | 3.38 | 99,993 | 1,920 | 3.87 |
| **Overseas operations and subsidiaries** | 1,065,448 | 22,399 | 4.24 | 1,248,021 | 20,858 | 3.37 |
| **Gross loans and advances to customers** | 13,745,297 | 306,266 | 4.49 | 12,842,398 | 274,773 | 4.31 |

Interest income from loans and advances to customers amounted to RMB306,266 million, an increase of RMB31,493 million or 11.46% over the same period last year, mainly driven by increases in the average balances and average yields of loans and advances to corporate and personal borrowers.

*Interest income from financial investments*

Interest income from financial investments amounted to RMB92,498 million, an increase of RMB8,186 million over the same period last year. This was mainly because the average balance of financial investments increased by 14.24% over the same period last year, offsetting the effect of the decrease in average yield.

*Interest income from deposits with central banks*

Interest income from deposits with central banks was RMB17,606 million, a decrease of RMB2,272 million or 11.43% from the same period last year. This was mainly because the average balance of deposits with central banks decreased by 9.93% over the same period last year and the average yield dropped by 3 basis points over the same period last year.

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

Interest income from deposits and placements with banks and non-bank financial institutions decreased by RMB228 million, or 1.95% from the same period last year, to RMB11,473 million. This was mainly because the average yield of deposits and placements with banks and non-bank financial institutions decreased by 87 basis points, offsetting the effect of the increase in the average balance.

*Interest income from financial assets held under resale agreements*

Interest income from financial assets held under resale agreements were RMB4,603 million, a decrease of RMB53 million or 1.14% from the same period last year. This was mainly because the average yield of financial assets held under resale agreements decreased by 68 basis points from the same period last year, offsetting the effect of the increase in the average balance.

***Interest expense***

In the first half of 2019, the Group's interest expense totalled RMB182,010 million, an increase of RMB26,176 million, or 16.80% over the same period last year. In this amount, interest expense on deposits from customers accounted for 74.59%, interest expense on deposits and placements from banks and non-bank financial institutions accounted for 13.44%, and interest expense on debt securities issued accounted for 7.65%.

*Interest expense on deposits from customers*

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

| | **Six months ended 30 June 2019** | | | **Six months ended 30 June 2018** | | |
|---|---|---|---|---|---|---|
| (In millions of RMB, except percentages) | **Average balance** | **Interest expense** | **Average cost (%)** | **Average balance** | **Interest expense** | **Average cost (%)** |
| **Corporate deposits** | 8,862,132 | 57,886 | 1.32 | 8,683,541 | 53,833 | 1.25 |
| Demand deposits | 5,842,292 | 21,729 | 0.75 | 5,570,800 | 18,577 | 0.67 |
| Time deposits | 3,019,840 | 36,157 | 2.41 | 3,112,741 | 35,256 | 2.28 |
| **Personal deposits** | 8,330,099 | 72,624 | 1.76 | 7,345,746 | 50,953 | 1.40 |
| Demand deposits | 3,353,838 | 5,062 | 0.30 | 3,201,453 | 4,824 | 0.30 |
| Time deposits | 4,976,261 | 67,562 | 2.74 | 4,144,293 | 46,129 | 2.24 |
| **Overseas operations and subsidiaries** | 480,203 | 5,258 | 2.21 | 528,952 | 5,066 | 1.93 |
| **Total deposits from customers** | 17,672,434 | 135,768 | 1.55 | 16,558,239 | 109,852 | 1.34 |

Interest expense on deposits from customers was RMB135,768 million, an increase of RMB25,916 million or 23.59% over the same period last year, mainly because the average cost of deposits from customers rose by 21 basis points and the average balance increased by 6.73% over the same period last year. The average cost of domestic corporate deposits rose by 7 basis points; the average cost of personal deposits rose by 36 basis points mainly due to substantial increase in the cost of personal time deposits as a result of intense market competition.

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

Interest expense on deposits and placements from banks and non-bank financial institutions was RMB24,469 million, flat with the same period last year, mainly due to the 10.77% increase in the average balance of deposits and placements from banks and non-bank financial institutions, offsetting the effect of the decrease in average cost.

*Interest expense on debt securities issued*

Interest expense on debt securities issued was RMB13,932 million, an increase of RMB841 million or 6.42% over the same period last year, mainly because the average balance of debt securities issued, including eligible Tier 2 capital bonds and certificates of deposits, increased by 26.40% over the same period of 2018, offsetting the effect of the decrease in average cost.

*Interest expense on borrowings from central banks*

Interest expenses on borrowings from central banks was RMB7,222 million, a decrease of RMB384 million or 5.05% from the same period last year. This was mainly because as a result of abundant liquidity, the average balance of borrowings from central banks decreased by 7.92% from the same period last year.

*Interest expense on financial assets sold under repurchase agreements*

Interest expense on financial assets sold under repurchase agreements was RMB619 million, down by RMB200 million or 24.42% from the same period last year, mainly because the average balance of financial assets sold under repurchase agreements decreased by 28.43%, offsetting the effect of the increase in the average cost.

**Net non-interest income**

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2019** | **Six months ended 30 June 2018** | **Change (%)** |
|---|---|---|---|
| Fee and commission income | 84,167 | 75,371 | 11.67 |
| Fee and commission expense | (7,472) | (6,367) | 17.36 |
| **Net fee and commission income** | 76,695 | 69,004 | 11.15 |
| **Other net non-interest income** | 17,256 | 14,239 | 21.19 |
| **Total net non-interest income** | 93,951 | 83,243 | 12.86 |

In the first half of 2019, the Group’s net non-interest income reached RMB93,951 million, an increase of RMB10,708 million or 12.86% over the same period last year. Net non-interest income accounted for 27.28% of operating income, an increase of 1.49 percentage points over the same period last year.

### *Net fee and commission income*

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

| (In millions of RMB, except percentages) | Six months ended 30 June 2019 | Six months ended 30 June 2018 | Change (%) |
|---|---|---|---|
| **Fee and commission income** | 84,167 | 75,371 | 11.67 |
| Bank card fees | 26,184 | 22,743 | 15.13 |
| Electronic banking service fees | 12,263 | 10,364 | 18.32 |
| Agency service fees | 10,863 | 9,214 | 17.90 |
| Commission on trust and fiduciary activities | 8,617 | 7,344 | 17.33 |
| Wealth management service fees | 7,450 | 6,552 | 13.71 |
| Settlement and clearing fees | 6,998 | 7,176 | (2.48) |
| Consultancy and advisory fees | 6,584 | 6,552 | 0.49 |
| Guarantee fees | 1,818 | 1,765 | 3.00 |
| Credit commitment fees | 883 | 836 | 5.62 |
| Others | 2,507 | 2,825 | (11.26) |
| **Fee and commission expense** | (7,472) | (6,367) | 17.36 |
| **Net fee and commission income** | 76,695 | 69,004 | 11.15 |

In the first half of 2019, as the Group continued to enhance service capabilities and customer experience, and strengthened business expansion and marketing. As a result, net fee and commission income rose by 11.15% over the same period last year to RMB76,695 million. The ratio of net fee and commission income to operating income rose by 0.89 percentage points to 22.27% over the same period last year.

Bank card fees increased by 15.13% to RMB26,184 million, primarily because income from credit cards grew rapidly.

Electronic banking service fees increased by 18.32% to RMB12,263 million, mainly due to the steady increase in the number of users and transaction volume, following the Group's increased efforts in promoting its electronic financial services and applications to meet all-round financial needs of all customers, which drove the growth of related income.

Agency service fees increased by 17.90% to RMB10,863 million, mainly because the income from agency insurance services grew rapidly.

Commission on trust and fiduciary activities rose by 17.33% to RMB8,617 million mainly due to rapid growth of income from syndicated loans and steady growth of income from custody service.

Wealth management service fees increased by 13.71% to RMB7,450 million, mainly because the Group strengthened product innovation, and enhanced sales capability and sales volume of its "net asset value" type WMPs.

Settlement and clearing fees decreased by 2.48% to RMB6,998 million. It was mainly because income from personal and international settlement services fell from the same period last year as affected by external environment, etc.

Consultancy and advisory fees were RMB 6,584 million, flat with the same period last year.

***Other net non-interest income***

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

| (In millions of RMB, except percentages) | Six months ended 30 June 2019 | Six months ended 30 June 2018 | Change (%) |
|---|---|---|---|
| Net gain arising from investment securities | 6,541 | 3,119 | 109.71 |
| Net trading gain | 4,858 | 7,912 | (38.60) |
| Net gain/(loss) on derecognition of financial assets measured at amortised cost | 1,435 | (2,365) | (160.68) |
| Dividend income | 414 | 412 | 0.49 |
| Other net operating income | 4,008 | 5,161 | (22.34) |
| **Total other net non-interest income** | 17,256 | 14,239 | 21.19 |

Other net non-interest income of the Group was RMB17,256 million, an increase of RMB3,017 million, or 21.19% over the same period last year. In this amount, net gain arising from investment securities was RMB6,541 million, an increase of RMB3,422 million over the same period last year, mainly due to the substantial increase in the gain from changes in fair value of subsidiaries' investments over the same period last year, as affected by the recovery of the capital market. Net trading gain decreased by RMB3,054 million over the same period last year, mainly because the gain from changes in fair value of bond investment dropped substantially compared to the same period last year as affected by movements of the bond market, and the income from precious metal leasing dropped with the leasing volume. Net gain on derecognition of financial assets measured at amortised cost was RMB1,435 million, an increase of RMB3,800 million over the same period last year, mainly due to the loss from derecognition of loans following the issuance of securitisation products during the same period last year. Other net operating income was RMB4,008 million, a decrease of RMB1,153 million over the same period last year, mainly because of the substantial decrease in foreign exchange gain compared to the same period last year due to the decrease in the volumes of proprietary currency swaps and swap business related to precious metal leasing.

### Operating expenses

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2019** | **Six months ended 30 June 2018** |
|---|---|---|
| Staff costs | 46,392 | 44,044 |
| Premises and equipment expenses | 15,287 | 14,648 |
| Taxes and surcharges | 3,031 | 3,190 |
| Others | 13,839 | 12,799 |
| **Total operating expenses** | 78,549 | 74,681 |
| **Cost-to-income ratio (%)** | 21.93 | 22.15 |

In the first half of 2019, the Group strengthened its cost management and optimised the expense structure. Cost-to-income ratio dropped by 0.22 percentage points to 21.93% from the same period last year. Operating expenses were RMB78,549 million, an increase of RMB3,868 million or 5.18% over the same period last year. In this amount, staff costs were RMB46,392 million, an increase of RMB2,348 million or 5.33% over the same period last year; premises and equipment expenses were RMB15,287 million, an increase of RMB639 million or 4.36% over the same period last year; taxes and surcharges were RMB3,031 million, a decrease of RMB159 million or 4.98% over the same period last year. Other operating expenses were RMB13,839 million, an increase of RMB1,040 million or 8.13% over the same period last year, mainly due to the increased outlays on customer development and bonus points conversion.

### Impairment losses

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

| (In millions of RMB) | Six months ended 30 June 2019 | Six months ended 30 June 2018 |
|---|---|---|
| **Loans and advances to customers** | 69,787 | 63,164 |
| **Financial investments** | 2,972 | 477 |
| Financial assets measured at amortised cost | 1,311 | 864 |
| Financial assets measured at fair value through other comprehensive income | 1,661 | (387) |
| **Others** | 2,027 | 3,139 |
| **Total impairment losses** | 74,786 | 66,780 |

In the first half of 2019, the Group's impairment losses were RMB74,786 million, an increase of RMB8,006 million or 11.99% over the same period last year. This was mainly because impairment losses on loans and advances to customers increased by RMB6,623 million, and impairment losses on financial investments increased by RMB2,495 million, while other impairment losses decreased by RMB1,112 million due to lower impairment losses on off-balance sheet items.

### Income tax expense

In the first half of 2019, income tax expense was RMB35,472 million, an increase of RMB1,517 million from the same period last year. The effective income tax rate was 18.55%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

### 4.1.2 Statement of Financial Position Analysis

**Assets**

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| **Loans and advances to customers** | 14,087,296 | 57.77 | 13,365,430 | 57.55 |
| Loans and advances to customers measured at amortised cost | 14,035,449 | 57.56 | 13,405,030 | 57.72 |
| Allowances for impairment losses on loans | (452,543) | (1.86) | (417,623) | (1.80) |
| The carrying amount of loans and advances to customers measured at fair value through other comprehensive income | 454,457 | 1.86 | 308,368 | 1.33 |
| The carrying amount of loans and advances to customers measured at fair value through profit or loss | 12,029 | 0.05 | 32,857 | 0.14 |
| Accrued interest | 37,904 | 0.16 | 36,798 | 0.16 |
| **Financial investments** | 6,051,051 | 24.82 | 5,714,909 | 24.61 |
| Financial assets measured at amortised cost | 3,575,473 | 14.67 | 3,272,514 | 14.09 |
| Financial assets measured at fair value through other comprehensive income | 1,797,431 | 7.37 | 1,711,178 | 7.37 |
| Financial assets measured at fair value through profit or loss | 678,147 | 2.78 | 731,217 | 3.15 |
| **Cash and deposits with central banks** | 2,466,167 | 10.11 | 2,632,863 | 11.34 |
| **Deposits and placements with banks and non-bank financial institutions** | 813,500 | 3.34 | 836,676 | 3.60 |
| **Financial assets held under resale agreements** | 450,226 | 1.85 | 201,845 | 0.87 |
| **Others** [1] | 514,911 | 2.11 | 470,970 | 2.03 |
| **Total assets** | 24,383,151 | 100.00 | 23,222,693 | 100.00 |

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

At the end of June, the Group's total assets reached RMB24.38 trillion, an increase of RMB1,160,458 million or 5.00% over the end of last year. It proactively supported the development of the real economy, and loans and advances to customers increased by

RMB721,866 million or 5.40% compared to the end of 2018. Financial investments increased by RMB336,142 million or 5.88% over the end of last year, mainly due to further investments in local government bonds. Due to the PBC's cuts in statutory deposit reserve ratio, cash and deposits with central banks decreased by RMB166,696 million or 6.33% from the end of last year. To support the growth of core assets such as loans and debt securities, the Bank properly controlled its deposits with banks and non-bank financial institutions, which decreased by RMB23,176 million or 2.77% from the end of last year. As a result, in the total assets, the proportion of net loans and advances to customers increased by 0.22 percentage points to 57.77%, that of financial investments increased by 0.21 percentage points to 24.82%, that of cash and deposits with central banks decreased by 1.23 percentage points to 10.11%, and that of deposits and placements with banks and non-bank financial institutions decreased by 0.26 percentage points to 3.34%.

***Loans and advances to customers***

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| **Corporate loans and advances** | 6,846,169 | 47.08 | 6,497,678 | 47.14 |
| Short-term loans | 2,089,610 | 14.37 | 2,000,945 | 14.52 |
| Medium to long-term loans | 4,756,559 | 32.71 | 4,496,733 | 32.62 |
| **Personal loans and advances** | 6,132,851 | 42.18 | 5,839,803 | 42.37 |
| Residential mortgages | 5,055,429 | 34.77 | 4,753,595 | 34.49 |
| Credit card loans | 672,148 | 4.62 | 651,389 | 4.73 |
| Personal consumer loans | 168,270 | 1.16 | 210,125 | 1.52 |
| Personal business loans | 40,112 | 0.28 | 37,287 | 0.27 |
| Other loans [1] | 196,892 | 1.35 | 187,407 | 1.36 |
| **Discounted bills** | 454,457 | 3.13 | 308,368 | 2.24 |
| **Overseas operations and subsidiaries** | 1,068,458 | 7.35 | 1,100,406 | 7.98 |
| **Accrued interest** | 37,904 | 0.26 | 36,798 | 0.27 |
| **Gross loans and advances to customers** | 14,539,839 | 100.00 | 13,783,053 | 100.00 |

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

At the end of June, the Group's gross loans and advances to customers stood at RMB14,539,839 million, an increase of RMB756,786 million or 5.49% over the end of 2018, mainly due to the increase in domestic loans.

Corporate loans and advances reached RMB6,846,169 million, an increase of RMB348,491 million or 5.36% over the end of 2018, mainly extended to infrastructure, small and micro enterprises and private enterprises sectors. In this amount, short-term loans increased by RMB88,665 million, while the medium to long-term loans increased by RMB259,826 million over the end of last year.

Personal loans and advances reached RMB6,132,851 million, an increase of RMB293,048 million or 5.02% over the end of 2018. In this amount, residential mortgages increased by RMB301,834 million or 6.35% to RMB5,055,429 million; credit card loans were RMB672,148 million, an increase of RMB20,759 million or 3.19% from the end of last year; personal consumer loans decreased by RMB41,855 million or 19.92% to RMB168,270 million.

Discounted bills reached RMB454,457 million, an increase of RMB146,089 million or 47.37% over the end of 2018, mainly to support the short-term liquidity demand of the corporate customers.

Loans and advances made by overseas operations and subsidiaries were RMB1,068,458 million, a decrease of RMB31,948 million or 2.90% from the end of 2018.

*Distribution of loans by type of collateral*

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Unsecured loans | 4,658,932 | 32.04 | 4,301,972 | 31.21 |
| Guaranteed loans | 2,024,654 | 13.92 | 2,024,072 | 14.69 |
| Loans secured by property and other immovable assets | 6,578,736 | 45.25 | 6,218,435 | 45.12 |
| Other pledged loans | 1,239,613 | 8.53 | 1,201,776 | 8.72 |
| Accrued interest | 37,904 | 0.26 | 36,798 | 0.26 |
| **Gross loans and advances to customers** | 14,539,839 | 100.00 | 13,783,053 | 100.00 |

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

| (In millions of RMB) | Six months ended 30 June 2019 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **As at 1 January** | 183,615 | 93,624 | 140,384 | 417,623 |
| Transfers: | | | | |
| Transfers in/(out) to Stage 1 | 4,498 | (4,203) | (295) | - |
| Transfers in/(out) to Stage 2 | (3,888) | 5,220 | (1,332) | - |
| Transfers in/(out) to Stage 3 | (754) | (13,121) | 13,875 | - |
| Newly originated or purchased financial assets | 58,484 | - | - | 58,484 |
| Transfer out/repayment | (41,706) | (6,189) | (17,026) | (64,921) |
| Remeasurements | 11,663 | 21,154 | 30,177 | 62,994 |
| Write-off | - | - | (25,341) | (25,341) |
| Recoveries of loans and advances previously written off | - | - | 3,704 | 3,704 |
| **As at 30 June** | 211,912 | 96,485 | 144,146 | 452,543 |

The Group made provisions for impaired losses in line with changes in the quality of its credit assets as required by the new financial instruments standard. At the end of June, the allowances for impairment losses on loans and advances measured at amortised cost were RMB452,543 million. In addition, the allowances for impairment losses of discounted bills measured at fair value through other comprehensive income were RMB1,113 million.

***Financial investments***

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Debt securities investments | 5,705,844 | 94.30 | 5,260,061 | 92.04 |
| Equity instruments and funds | 121,903 | 2.01 | 104,270 | 1.82 |
| Other debt instruments | 223,304 | 3.69 | 350,578 | 6.14 |
| **Total financial investments** | 6,051,051 | 100.00 | 5,714,909 | 100.00 |

At the end of June, the Group's financial investments totalled RMB6,051,051 million, an increase of RMB336,142 million or 5.88% over the end of last year. In this amount, debt securities investments increased by RMB445,783 million or 8.47%, and accounted for 94.30% of total financial investments, up by 2.26 percentage points over the end of last year; equity instruments and funds increased by RMB17,633 million, and accounted for 2.01% of total financial investments, an increase of 0.19 percentage points from the end of 2018; other debt instruments, mainly including deposits with banks and non-bank financial institutions and credit assets that the Bank held through issuance of on-balance sheet principal-guaranteed WMPs, decreased by RMB127,274 million from the end of last year, with its proportion in total financial investments down to 3.69%.

*Debt securities investments*

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| RMB | 5,442,065 | 95.38 | 5,008,914 | 95.22 |
| USD | 164,848 | 2.89 | 147,218 | 2.80 |
| HKD | 49,230 | 0.86 | 53,664 | 1.02 |
| Other foreign currencies | 49,701 | 0.87 | 50,265 | 0.96 |
| **Total debt securities investments** | 5,705,844 | 100.00 | 5,260,061 | 100.00 |

At the end of June, the total investments in RMB debt securities totalled RMB5,442,065 million, an increase of RMB433,151 million or 8.65% over the end of last year. Total investments in foreign-currency debt securities were RMB263,779 million, an increase of RMB12,632 million or 5.03% over the end of 2018.

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Government | 4,019,037 | 70.44 | 3,753,874 | 71.36 |
| Central banks | 42,145 | 0.74 | 38,852 | 0.74 |
| Policy banks | 811,074 | 14.21 | 791,660 | 15.05 |
| Banks and non-bank financial institutions | 382,759 | 6.71 | 227,713 | 4.33 |
| Others | 450,829 | 7.90 | 447,962 | 8.52 |
| **Total debt securities investments** | 5,705,844 | 100.00 | 5,260,061 | 100.00 |

***Interest receivable***

In accordance with the *2018 Formats of Financial Statements for Financial Enterprises* issued by the MOF, interest accrued from financial instruments using the effective interest rate method should be included in the carrying value of corresponding financial instruments and presented in the financial statements, and no longer be separately presented as "interest receivable".

***Repossessed assets***

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of June, the Group's repossessed assets were RMB2,968 million, and the impairment allowances for repossessed assets were RMB1,140 million.

## Liabilities

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| Deposits from customers | 18,214,072 | 81.64 | 17,108,678 | 80.58 |
| Deposits and placements from banks and non-bank financial institutions | 1,894,358 | 8.49 | 1,847,697 | 8.70 |
| Debt securities issued | 789,358 | 3.54 | 775,785 | 3.66 |
| Borrowings from central banks | 446,769 | 2.00 | 554,392 | 2.61 |
| Financial assets sold under repurchase agreements | 35,164 | 0.16 | 30,765 | 0.15 |
| Other liabilities [1] | 931,392 | 4.17 | 913,782 | 4.30 |
| **Total liabilities** | 22,311,113 | 100.00 | 21,231,099 | 100.00 |

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

At the end of June, the Group's total liabilities were RMB22.31 trillion, an increase of RMB1,080,014 million or 5.09% over the end of last year. The Group stepped up its efforts to increase customer deposits, and deposits from customers amounted to RMB18.21 trillion, an increase of RMB1,105,394 million or 6.46% over the end of last year. Deposits and placements from banks and non-bank financial institutions increased by RMB46,661 million or 2.53% over the end of 2018. Debt securities issued increased by RMB13,573 million or 1.75% over the end of 2018. Borrowings from central banks decreased substantially by 19.41%, mainly due to the PBC's targeted cuts in deposit reserve ratio to replace the medium-term lending facilities. Accordingly, deposits from customers accounted for 81.64% of total liabilities, an increase of 1.06 percentage points over the end of 2018; deposits and placements from banks and non-bank financial institutions accounted for 8.49% of total liabilities, a decrease of 0.21 percentage points from the end of 2018; debt securities issued accounted for 3.54% of total liabilities, a decrease of 0.12 percentage points from the end of 2018; borrowings from central banks accounted for 2.00% of total liabilities, a decrease of 0.61 percentage points from the end of 2018.

### *Deposits from customers*

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| **Corporate deposits** | 9,063,882 | 49.76 | 8,667,322 | 50.66 |
| Demand deposits | 6,129,707 | 33.65 | 5,854,542 | 34.22 |
| Time deposits | 2,934,175 | 16.11 | 2,812,780 | 16.44 |
| **Personal deposits** | 8,494,856 | 46.64 | 7,771,165 | 45.42 |
| Demand deposits | 3,433,625 | 18.85 | 3,271,246 | 19.12 |
| Time deposits | 5,061,231 | 27.79 | 4,499,919 | 26.30 |
| **Overseas operations and subsidiaries** | 463,562 | 2.55 | 492,942 | 2.88 |
| **Accrued interest** | 191,772 | 1.05 | 177,249 | 1.04 |
| **Total deposits from customers** | 18,214,072 | 100.00 | 17,108,678 | 100.00 |

At the end of June, domestic corporate deposits of the Bank were RMB9,063,882 million, an increase of 4.58% over the end of 2018, and accounted for 51.62% of domestic deposits from customers. Domestic personal deposits of the Bank were RMB8,494,856 million, an increase of RMB723,691 million or 9.31% over the end of last year, and accounted for 48.38% of domestic deposits from customers, up by 1.11 percentage points. The Bank's domestic demand deposits were RMB9,563,332 million, up by RMB437,544 million or 4.79% over the end of last year, accounting for 54.46% of the domestic deposits from customers. The domestic time deposits were RMB7,995,406 million, up by RMB682,707 million or 9.34% over the end of last year, and accounted for 45.54% of domestic deposits from customers, up by 1.05 percentage points over the end of last year. Deposits from overseas operations and subsidiaries amounted to RMB463,562 million, a decrease of RMB29,380 million from the end of last year, accounting for 2.55% of the total deposits from customers.

### *Debt securities issued*

The Bank issued no corporate debt securities that were required to be disclosed in accordance with *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 - Contents and Formats of Half-Year Annual Reports (2017 Revision)* and *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 38 - Contents and Formats of Annual Reports on Corporate Debt Securities*.

### Shareholder's equity

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

| (In millions of RMB) | **As at 30 June 2019** | **As at 31 December 2018** |
|---|---|---|
| Share capital | 250,011 | 250,011 |
| Other equity instruments - preference shares | 79,636 | 79,636 |
| Capital reserve | 134,537 | 134,537 |
| Other comprehensive income | 20,057 | 18,451 |
| Surplus reserve | 223,231 | 223,231 |
| General reserve | 280,045 | 279,725 |
| Retained earnings | 1,068,239 | 990,872 |
| **Total equity attributable to equity shareholders of the Bank** | 2,055,756 | 1,976,463 |
| Non-controlling interests | 16,282 | 15,131 |
| **Total equity** | 2,072,038 | 1,991,594 |

At the end of June, the Group's total equity was RMB2,072,038 million, an increase of RMB80,444 million or 4.04% over the end of 2018, primarily driven by the increase of RMB77,367 million in retained earnings. As the growth rate of total assets surpassed that of equity, the ratio of total equity to total assets dropped to 8.50%, a decrease of 0.08 percentage points.

### Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metal and commodity contracts. Commitments and contingent liabilities mainly include credit commitments, capital commitments, redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of June, credit commitments were RMB2,953,665 million, an increase of RMB104,941 million or 3.68% over the end of 2018.

### 4.1.3 Loan Quality Analysis

**Distribution of loans by five-category classification**

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Normal | 13,887,786 | 95.77 | 13,157,944 | 95.72 |
| Special mention | 406,080 | 2.80 | 387,430 | 2.82 |
| Substandard | 91,207 | 0.63 | 81,432 | 0.59 |
| Doubtful | 96,597 | 0.66 | 93,270 | 0.68 |
| Loss | 20,265 | 0.14 | 26,179 | 0.19 |
| **Gross loans and advances excluding accrued interest** | 14,501,935 | 100.00 | 13,746,255 | 100.00 |
| **NPLs** | 208,069 | | 200,881 | |
| **NPL ratio** | | 1.43 | | 1.46 |

In the first half of 2019, the Group continued with its proactive comprehensive risk management, pushed adjustments to its credit asset structure, and strengthened fundamental credit management to enhance its refined management standard for the whole process. The asset quality remained stable on the whole. At the end of June, the Group's NPLs were RMB208,069 million, an increase of RMB7,188 million over the end of last year; the NPL ratio stood at 1.43%, a decrease of 0.03 percentage points over the end of last year. The special mention loans accounted for 2.80%, a decrease of 0.02 percentage points over the end of last year.

### Distribution of loans and NPLs by product type

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | | As at 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | **Loans** | **NPLs** | **NPL ratio (%)** | **Loans** | **NPLs** | **NPL ratio (%)** |
| **Corporate loans and advances** | 6,846,169 | 171,017 | 2.50 | 6,497,678 | 169,248 | 2.60 |
| Short-term loans | 2,089,610 | 74,381 | 3.56 | 2,000,945 | 73,974 | 3.70 |
| Medium to long-term loans | 4,756,559 | 96,636 | 2.03 | 4,496,733 | 95,274 | 2.12 |
| **Personal loans and advances** | 6,132,851 | 28,269 | 0.46 | 5,839,803 | 24,076 | 0.41 |
| Residential mortgages | 5,055,429 | 13,619 | 0.27 | 4,753,595 | 11,414 | 0.24 |
| Credit card loans | 672,148 | 8,158 | 1.21 | 651,389 | 6,387 | 0.98 |
| Personal consumer loans | 168,270 | 2,435 | 1.45 | 210,125 | 2,302 | 1.10 |
| Personal business loans | 40,112 | 1,392 | 3.47 | 37,287 | 1,391 | 3.73 |
| Other loans | 196,892 | 2,665 | 1.35 | 187,407 | 2,582 | 1.38 |
| **Discounted bills** | 454,457 | - | - | 308,368 | - | - |
| **Overseas operations and subsidiaries** | 1,068,458 | 8,783 | 0.82 | 1,100,406 | 7,557 | 0.69 |
| **Gross loans and advances excluding accrued interest** | 14,501,935 | 208,069 | 1.43 | 13,746,255 | 200,881 | 1.46 |

## Distribution of loans and NPLs by industry

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

| (In millions of RMB, except percentages) | As at 30 June 2019 | | | | As at 31 December 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Loans | % of total | NPLs | NPL ratio (%) | Loans | % of total | NPLs | NPL ratio (%) |
| **Corporate loans and advances** | 6,846,169 | 47.21 | 171,017 | 2.50 | 6,497,678 | 47.27 | 169,248 | 2.60 |
| Transportation, storage and postal services | 1,345,599 | 9.28 | 18,690 | 1.39 | 1,307,712 | 9.51 | 16,033 | 1.23 |
| Manufacturing | 1,096,338 | 7.56 | 78,906 | 7.20 | 1,092,369 | 7.95 | 79,422 | 7.27 |
| Leasing and commercial services | 1,039,501 | 7.17 | 6,816 | 0.66 | 962,465 | 7.00 | 4,647 | 0.48 |
| - Commercial services | 1,017,135 | 7.01 | 6,533 | 0.64 | 928,327 | 6.75 | 4,338 | 0.47 |
| Production and supply of electric power, heat, gas and water | 802,413 | 5.53 | 8,328 | 1.04 | 803,746 | 5.85 | 9,075 | 1.13 |
| Real estate | 551,920 | 3.81 | 6,876 | 1.25 | 510,045 | 3.71 | 8,505 | 1.67 |
| Wholesale and retail trade | 450,511 | 3.11 | 25,468 | 5.65 | 373,246 | 2.72 | 26,064 | 6.98 |
| Water, environment and public utilities management | 417,004 | 2.88 | 3,216 | 0.77 | 390,220 | 2.84 | 2,390 | 0.61 |
| Construction | 325,224 | 2.24 | 5,253 | 1.62 | 281,932 | 2.05 | 5,907 | 2.10 |
| Mining | 222,027 | 1.53 | 10,697 | 4.82 | 222,771 | 1.62 | 11,281 | 5.06 |
| - Exploitation of petroleum and natural gas | 2,885 | 0.02 | 90 | 3.12 | 3,231 | 0.02 | 90 | 2.79 |
| Education | 66,258 | 0.46 | 256 | 0.39 | 64,212 | 0.47 | 397 | 0.62 |
| Information transmission, software and information technology services | 63,892 | 0.44 | 331 | 0.52 | 53,230 | 0.39 | 410 | 0.77 |
| - Telecommunications, broadcast and television, and satellite transmission services | 23,831 | 0.16 | 40 | 0.17 | 26,382 | 0.19 | 38 | 0.14 |
| Others | 465,482 | 3.20 | 6,180 | 1.33 | 435,730 | 3.16 | 5,117 | 1.17 |
| **Personal loans and advances** | 6,132,851 | 42.29 | 28,269 | 0.46 | 5,839,803 | 42.48 | 24,076 | 0.41 |
| **Discounted bills** | 454,457 | 3.13 | - | - | 308,368 | 2.24 | - | - |
| **Overseas operations and subsidiaries** | 1,068,458 | 7.37 | 8,783 | 0.82 | 1,100,406 | 8.01 | 7,557 | 0.69 |
| **Gross loans and advances excluding accrued interest** | 14,501,935 | 100.00 | 208,069 | 1.43 | 13,746,255 | 100.00 | 200,881 | 1.46 |

In the first half of 2019, the Group continuously improved its credit structure by optimising credit policies, refining customer selection criteria, and maintaining strict industry limits, and actively supported the transformation and upgrading of manufacturing industry to serve the real economy. The NPL ratio of infrastructure sectors remained relatively low. The amount and ratio of NPLs in the manufacturing industry and wholesale and retail trade industry both decreased compared to the end of 2018. The NPL ratio of personal loans rose by 5 basis points compared to the end of last year.

### 4.1.4 Differences between the Financial Statements Prepared under PRC GAAP and those Prepared under IFRS

There is no difference in the net profit for the six months ended 30 June 2019 or total equity as at 30 June 2019 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

### 4.1.5 Changes in Accounting Policies

The Group has adopted *International Financial Reporting Standard No. 16 – Leases*, which was issued by International Accounting Standards Board in January 2016 and first became effective from 1 January 2019. This constitutes a change in the accounting policies, and adjustments to relevant amounts have been recognised in the financial statements. According to the transition requirement of this standard, the Group chose not to restate information in the comparative period.

On 1 January 2019, the Group adopted this standard. Compared to the financial statements as at 31 December 2018, the Group's total assets and total liabilities increased by RMB19,944 million respectively.

## 4.2 BUSINESS REVIEW

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

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

| (In millions of RMB, except percentages) | **Six months ended 30 June 2019** | | **Six months ended 30 June 2018** | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Corporate banking | 43,876 | 22.95 | 49,143 | 27.09 |
| Personal banking | 85,889 | 44.93 | 80,725 | 44.50 |
| Treasury business | 47,738 | 24.97 | 38,687 | 21.32 |
| Others | 13,677 | 7.15 | 12,865 | 7.09 |
| **Profit before tax** | 191,180 | 100.00 | 181,420 | 100.00 |

In the first half of 2019, profit before tax of the Group's corporate banking business reached RMB43,876 million, a decrease of 10.72% from the same period last year, accounting for 22.95% of the Group's profit before tax; profit before tax of personal banking business reached RMB85,889 million, an increase of 6.40% over the same period last year, accounting for 44.93% of the Group's profit before tax; the profit before tax of treasury business reached RMB47,738 million, a year-on-year increase of 23.40%, accounting for 24.97% of the profit before tax of the Group, an increase of 3.65 percentage points over the same period last year.

### 4.2.1 Promotion of Three Major Strategies

**House rental strategy**

Leveraging on its traditional advantages in the housing finance sector, the Bank explored the comprehensive house rental financial solutions, to implement the positioning of "Houses are for living in, not for speculation" and help people realise their dreams of having a home. The Bank promoted its house rental strategy in depth by establishing a comprehensive house rental service platform, introducing a house rental price index, and providing supportive financial services for house rentals. The Bank built a nationwide comprehensive service platform to assist the government in regulating and monitoring the market, as well as serving the market participants. The Bank actively participated in the building of the house rental market with the help of its subsidiary, CCB Housing Services Co., Ltd., and innovated products for house rental business to attract more vacant real estate properties into the rental market and increase the number of apartments for rent. By the end of June, the comprehensive house rental service platform had been launched in more than 300 administrative regions at prefecture-level and above across the country, with over 16 million apartments and over 10 million registered users on a cumulative basis. A total of 52 cities were included in the house rental price index, which covered most of the major cities and pilot cities for house rentals in China.

**Inclusive finance strategy**

The Bank continued to enhance its support for inclusive finance business, improved the service model of inclusive finance, and built the operating ecosystem of inclusive finance. To address the problem of "difficult and expensive financing" confronting SMEs, the Bank increased product supply, expanded service scope, and improved its service model. It continued to explore innovation in the fields of SME, entrepreneurship and innovation, agriculture-related businesses, and poverty alleviation, and enriched its product catalogue of "Quick Loan for SMEs" by using big data, internet and other technologies. The Bank optimised the functions of "Huidongni" platform, actively built connection with the government, and embedded financial services in the scenarios of SME operations. It pushed forward the construction of its "Yunongtong" service outlets, and extended its "Mingonghui" service to tackle the social problem confronting migrant workers and help them get paid on time. The Bank optimised its model of inclusive finance, offering "one-minute" financing, "one-stop" services with an "all-in" interest rate, realising "batch customer acquisition, accurate profiling, automated approval, intelligent risk control, and integrated services". In addition, the Bank strengthened supports to inclusive finance with policies and resources, including fully meeting the related loan demand, and improving incentive policies and performance evaluation system for inclusive finance business. It promoted risk screening system for the online business, and strengthened business risk monitoring and analysis to ensure stable operation. The Bank held courses for SME entrepreneurs, built and maintained its Workers' Oasis continuously, fostering an inclusive service culture across the bank. At the end of June, the inclusive finance loans increased by RMB221,047 million over the end of 2018 to RMB831,122 million; the number of inclusive finance borrowers increased by 207,900 over the end of 2018 to 1,225,900.

### Fintech strategy

The Bank continued to increase investment in Fintech innovation, with coordinated efforts in research and development, infrastructure construction and system operation and maintenance. It focused on supporting the application, research and development of smart finance related technologies, and enhanced disaster recovery and cloud infrastructure environment construction, to ensure the safe and stable operation of the system. The Bank sped up the establishment of its efficient and collaborative Fintech governance system that supported innovation, and improved the incentive system for Fintech innovation by strengthening patent protection and promoting independent innovation. It built a cloud platform for Fintech innovation service that provided all-round support for innovation with functions such as AI modelling and financial data mining. In addition, the Bank built panoramic customer profiling, optimised data asset management, and enhanced data driven value creation. It also built an integrated collaborative research and development platform to achieve flexible, efficient, digital and automated collaborative research and development management. The demand processing capacity improved significantly. In the first half of 2019, 3,257 items of demand were handled, up 164% over the same period last year. The production speed of demand was accelerated as the approval time was shortened by 53%, and 3,116 versions were put into production, up 48% over the same period last year.

The Bank developed collaborative and evolutionary smart finance internally. It realised centralised control of supply chain services, formed a unified view of supply chain relations and supply chain financial business at group level, and promoted the development of new corporate banking featuring “seamless integration of trading business and emerging business”. The Bank promoted group-wide intelligent operation system construction, and built “multi-access and integrated” smart channels. It broke through the information barrier between its corporate banking and personal banking, and established a “comprehensive, intelligent, accurate, timely, proactive and forward-looking” risk control system. The Bank extended the open and shared intelligent ecosystem externally. It promoted the construction of the data centralisation platform for provident housing funds and the rural land use right transfer platform of the Ministry of Housing and Urban-Rural Development, and continued to build its edge in the housing arena. The Bank preliminarily set up a Fintech product system for financial institutions, expanding its offerings from banking sector to non-banking services. The Bank assisted in the sharing of financing information within the banking industry through projects such as joint credit granting led by China Banking Association. The Bank promoted the smart city government service project to be launched in Ankang, Shaanxi Province, and pushed forward Digital Tianjin Project as part of its contribution towards the modernisation of state governance. The Bank launched a blockchain service platform, with five application scenarios, nine areas and 61 applications in place, and the effect of cloud ecosystem was delivered initially. It actively explored cutting-edge 5G technology applications, built a dual 5G service network of “internet + production network” for its branch network, and set to deploy Internet of Things technologies.

### 4.2.2 Corporate Banking

**Corporate deposits**

The Bank continued to consolidate its customer and account base, expanded the related upstream and downstream customers and accounts along the fund flow, and maintained stable growth of corporate deposits. At the end of June, domestic corporate deposits of the Bank amounted to RMB9,063,882 million, an increase of RMB396,560 million or 4.58% over the end of 2018. In this amount, demand deposits increased by 4.70%, and time deposits increased by 4.32%.

**Corporate loans**

The Bank continued to optimise its credit structure, and maintained steady growth of corporate loans, which vigorously supported the development of the real economy. At the end of June, domestic corporate loans and advances of the Bank were RMB6,846,169 million, an increase of RMB348,491 million or 5.36% over the end of 2018. The NPL ratio of corporate loans and advances was 2.50%, a decrease of 0.10 percentage points from the end of 2018.

The loans to infrastructure sectors reached RMB3,608,867 million, an increase of RMB149,249 million or 4.31% over the end of last year, accounting for 52.71% of the corporate loans and advances, with a low NPL ratio of 1.02%. The balance of loans to private enterprises was RMB2.32 trillion, representing an increase of RMB202,501 million or 9.58% over the end of 2018. The loans to strategic emerging industries were RMB530,465 million, an increase of RMB144,892 million or 37.58% over the end of 2018. Agriculture-related loans amounted to RMB1.80 trillion, an increase of RMB39,091 million over the end of 2018. By the end of June, a total of RMB679,421 million of network supply chain financing had been granted to 46,500 enterprises on a cumulative basis, and the number of network supply chain cooperation platforms had reached 1,939. The property development loans were RMB391,093 million, an increase of RMB25,439 million over the end of 2018, mainly to support high-quality real estate developers and general commercial residential housing projects. By strictly implementing list-based management, the loans to overcapacity industries dropped by RMB3,378 million to RMB116,731 million compared to the end of 2018.

**Institutional business**

The Bank smoothly promoted a digital platform operating model for its institutional business. It built an “All in a Mobile Phone” application with the government of Yunnan Province, which covered all five levels of governments from province to village, making its banking outlets and smart teller machines into convenient government service centres for the public. A public payment system developed for the national service platform for government affairs was also launched. The Bank signed a cooperation agreement with the Ministry of Human Resources and Social Security on jointly establishing an innovative big data laboratory that integrates data from both social security and banking institutions, to create a “Human Resources and Social Security Big Data Application Platform”. The Bank also signed a strategic cooperation agreement with the Xinhua News Agency to jointly establish a “Xinhua Finance National Financial Information Platform”. The coverage and the number of users at its religion, pension and other service platforms continued to increase. The Bank signed agreements with 1,213 collecting entities for “Huijiaofei” payment and collection services. It issued a total of 132 million financial social security cards, and opened 12,000 social security financial accounts in county areas.

### International business

The Bank continued to innovate trade finance products and models. The Bank took the lead in signing a pilot agreement for cooperation and connection with the General Administration of Customs in the industry, to provide financial services through the "International Trade Single Window of China". In addition to the "Tax Refund Loan", the Bank innovated its "Cross-border Quick Loan" series products, including "Export Loan" and "Credit Insurance Loan", providing convenient financing services for small and medium-sized import and export enterprises. The influence of its blockchain trade finance platform application grew in the industry, as the Bank successfully signed cooperation agreements with 34 domestic and overseas financial institutions. By the end of June, the transaction amount at the platform had exceeded RMB300 billion. In the first half of 2019, the Bank's international settlement volume amounted to US$545,528 million, and the volume of cross-border RMB settlement was RMB838,221 million. CCB London branch continued to be the largest RMB clearing bank outside Asia, with a cumulative clearing amount of over RMB36 trillion.

### Custody service

The Bank adopted an innovation-driven approach in its custody service, and recorded good operating results. The Bank ranked first in the number of the first and second batch of funds on the STAR Market under the Bank's custody, and won multiple bids for ETF custody for state-owned enterprise reform. The Bank successfully obtained the depository bank qualification, and became the custodian bank of the first batch of China-Japan ETF Connect and the only custodian bank for the first cross-border conversion institutions of Shanghai-London Stock Connect in the market, in its efforts to building an innovative global custody service system. The Bank was also custodian bank for the first asset management plan in the market by the securities industry to support private enterprises, helping private businesses to overcome financial difficulty. At the end of June, assets under custody of the Bank amounted to RMB12.36 trillion, up RMB145,586 million over the end of 2018; fee income from custody service was RMB2,573 million, an increase of RMB128 million or 5.24% over the same period last year.

### Settlement and cash management business

The settlement and cash management business continued to grow steadily. As the PBC's approval is no longer required for the opening of corporate bank accounts, the Bank created "Zhangyixing" brand to improve the convenience and efficiency of account opening service, and the number of corporate RMB accounts grew rapidly. The Bank also enhanced its management over corporate settlement accounts as well as payment and settlement, and carefully prevented new types of cybercrimes. The Bank launched "Huishibao" for corporate settlement service in specialised markets, and expanded its application to scenarios such as tourism, wholesale service and chain stores. It accelerated the mobile deployment in services such as "Yudaotongda", collection and payment of bills, and iteratively upgraded its global cash management product system, continuously improving the contribution of cash management to the Bank. At the end of June, the Bank had 10.22 million corporate RMB settlement accounts, an increase of 0.77 million over the end of last year, while its active cash management customers increased by 0.58 million to 1.95 million compared to the same period last year.

### 4.2.3 Personal Banking

**Personal finance**

Focusing on the philosophy of “Opening and Sharing, Mutually Beneficial Value Creation, Digital Interconnection and Customer-oriented”, the Bank promoted the steady implementation of new retail business. The Bank actively responded to the interest rate liberalisation trend by continuously reinforcing innovation in personal deposits and strengthening the coordinated planning of on and off-balance sheet funds. It vigorously promoted the innovation of AI-assisted investment advisory services of “Long Fortune” by virtue of Fintech tools, and continuously enriched its personal investment and wealth management product lines to facilitate the general public’s investment and wealth management needs. The Bank continued to increase efforts in innovation of mobile payment portfolio, and created the “Long Pay” enterprise-level digital payment brand, serving people’s livelihood sectors including clothing, food, housing and transportation. To serve the national rural revitalisation strategy, the Bank expanded a total of 224,000 “Yunongtong” service outlets to serve county and rural customers with “deposit, loan, remittance, payment and investment” financial services and products with great convenience and economy, such as featured money-withdrawing service for rural residents, exclusive deposit products and “Yunong insurance”.

**Personal deposits**

The Bank strengthened its Fintech applications, innovated high quality and efficient products and services to satisfy the differentiated fund allocation needs of different customer bases, and maintained steady growth in personal deposits. At the end of June, domestic personal deposits of the Bank rose by RMB723,691 million or 9.31% over the end of last year, to RMB8,494,856 million. In this amount, demand deposits increased by 4.96%, and time deposits increased by 12.47%.

**Personal loans**

Personal loans business continued to grow steadily. In accordance with the requirements of China’s macro-control and long-term mechanism policies for the real estate market, the Bank strictly implemented differentiated credit policies for residential mortgages, supporting the borrowers’ reasonable housing consumption needs. The Bank maintained its top position as an innovative leader in personal consumer loans business, supported consumption upgrading, and promoted business development with self-service personal loans through “Quick Loan” online channel. At the end of June, the Bank took the lead in terms of the balance of domestic personal loans, which increased by RMB293,048 million or 5.02% over the end of last year, to RMB6,132,851 million. In this amount, the balance of residential mortgages of the Bank increased by RMB301,834 million over the end of last year, to RMB5,055,429 million. The balance of “Quick Loan” was 151,870 million, accumulatively serving over 10 million customers. The balance of personal business loans and agriculture-related personal loans was RMB40,112 million and RMB3,498 million, respectively.

**Debit card business**

The Bank increased its efforts in building mobile payment portfolio and scenario offerings, created new advantages in payment and settlement, and further consolidated its debit card customer base. At the end of June, the number of active debit cards was 1,085 million, including 591 million financial IC debit cards. The transaction volume of debit cards in the first half of 2019 was RMB11.20 trillion, an increase of 15.55% year on year. The Bank continued to upgrade its "Long Pay" business, attracting a cumulative number of 104 million users with 180 million transactions conducted in the first half of 2019, an increase of 21.94% year on year, making the Bank a leading position in business scale.

**Credit card business**

The Bank reinforced customer segmentation and key customer base expansion of credit card business by creating a system of credit card products with various types and featured benefits for all customer bases, such as the innovative QQ Music Card, Transformers Card of Bumblebee Version and ETC Card. The Bank vigorously developed consumer credit business, promoted precision marketing and innovative payment, and enhanced the influence of the promotional brands, i.e. "Long Card Saturday" and "Traveling Around the World, Shopping Around the Globe". Moreover, the Bank made great efforts to build the "Huidouquan" comprehensive operation and service platform. It also consolidated the leading edge of auto finance, and promoted finance for easy dwelling through platforms and instalment programs based on data and scenarios. At the end of June, the cumulative number of credit cards issued by the Bank and customers reached 128 million and 94.60 million, respectively. The volume of credit card transactions totalled RMB1.50 trillion for the first half of 2019. The loan balance was RMB672,148 million, and the NPL ratio was 1.21%. The Bank remained market leader in terms of multiple core indicators, including the total number of customers, loan balance and asset quality.

**Private banking**

The Bank increased the supply of private banking products and services, and the family trust business maintained a leading position in the industry. It accelerated the progress of improving professional capabilities in asset allocation, and continued to issue allocation strategies for major classes of assets. The Bank provided diversified investment choices, and promoted investment in products exclusive for private banking customers and business development in the financial market. Moreover, the Bank launched the special mobile version of "CCB e-private banking" and promoted the building of benchmark private banking centres. At the end of June, the assets under management of private banking customers amounted to RMB1,496,123 million, up 10.95% over the end of 2018. The number of private banking customers increased to 139,995, up 10.05% over the end of 2018.

**Entrusted housing finance business**

The Bank applied the "technology + internet" mindset to actively improve the service of the technology system of entrusted housing finance business. It steadily pressed ahead with its indemnificatory housing loans business and supported low- and middle-income residents' housing needs for their own residential purpose. At the end of June, the balance of housing fund deposits was RMB850,938 million, while personal provident housing fund loans amounted to RMB2,299,364 million. The Bank had accumulatively provided RMB114,763 million personal indemnificatory housing loans to nearly 600,000 low- and middle-income households.

## 4.2.4 Treasury Business

**Financial market business**

The Bank pushed forward the high-quality development of financial market business by continuously improving trading capabilities, optimising product mix, strengthening customer base, building channels and platforms, and enhancing risk control and compliance. With these efforts, it maintained the leading position in terms of key operational indicators and steadily sharpened its competitive edge.

***Money market business***

The Bank proactively responded to global markets changes, strengthened market trend analysis, adhered to the combination of prudence and active operations to effectively manage RMB and foreign-currency positions and ensure sound liquidity throughout the Bank. With regard to RMB money market business, the Bank closely tracked the PBC's monetary policies, remained sensitive to market funding fluctuations, actively expanded funding channels, and strictly controlled counterparty risks, so as to maintain stable and safe positions. With regard to foreign currency money market business, the Bank closely monitored the liquidity in the global markets, especially market changes arising from the impact of Sino-US trade frictions and the changes in the economies in Europe and America, and made well-informed decisions to maintain the optimal maturity structure for incoming and outgoing funds, so as to ensure its liquidity prudence at key time points.

***Debt securities investments***

The Bank achieved a reasonable and rational balance between liquidity, security and returns on debt securities investments. With regard to investment in RMB debt securities, the Bank adhered to the principle of value-driven investment, actively served the real economy, managed a reasonable pace of investment, continuously improved the portfolio structure, and strengthened the business collaboration between the Head Office and branches, in order to maximise returns for the whole bank. With regard to investment in foreign-currency debt securities, the Bank adjusted the portfolio structure with close attention to trends in the global financial markets, and increased the portfolio returns under the premise of ensuring the liquidity of foreign-currency portfolios.

***Customer-based trading business***

The Bank proactively responded to changes in the market, carefully implemented regulatory policies, and ensured sound and steady business development in compliance with relevant requirements. The Bank strengthened product innovation and customer marketing, and improved its trading channels to meet customers' trading demands, with continuously enhanced trading vitality and market influence. In the first half of 2019, customer-based trading business amounted to US$191,495 million. The Bank maintained the leading position in the comprehensive ranking in interbank foreign exchange market.

***Precious metals and commodities***

The Bank realised sound development of the precious metals and commodities business in compliance with regulations. It introduced gold fixed accumulation plan and new trading categories such as apple, naphtha and PX, and increased commodity hedging categories to 35. In the first half of 2019, the total trading volume of precious metals reached 26,661 tonnes, and the number of personal customers for precious metal and commodity trading reached 45.21 million.

### Asset management

The Bank set up Assets Management Business Committee to coordinate the high-quality development of Group-level assets management business. The first phase of “Mega Assets Manager” system was launched smoothly. CCB Wealth Management became the first wealth management subsidiary of commercial banks in China. The Bank strictly adhered to the latest regulatory policies, continuously improved its product structure and asset structure and accelerated the transformation of its asset management practices. The Bank achieved rapid growth in net worth products and the proportion of product offerings for personal customers rose substantially. A total of 215 “net asset value” type WMPs were launched throughout the first half of 2019. At the end of June, the balance of “net asset value” type WMPs amounted to RMB343,000 million, an increase of RMB43,376 million compared with the end of 2018. The balance of WMPs to personal customers reached RMB1,599,833 million, accounting for 78.53% of the total. In the first half of 2019, the Bank independently issued various WMPs totalling RMB3,972,989 million to effectively meet the investment needs of customers. In this amount, the Bank issued 193 principal-guaranteed WMPs totalling RMB206,883 million and 4,442 non-principal-guaranteed WMPs totalling RMB3,762,170 million. A total of 257 principal-guaranteed WMPs totalling RMB242,078 million and a total of 4,462 non-principal-guaranteed WMPs totalling RMB3,836,285 million expired in the first half of 2019. At the end of June, the balance of WMPs was RMB2,037,294 million. In this amount, the balance of the remaining 280 principal-guaranteed WMPs was RMB226,481 million, a decrease of RMB115,298 million from the end of 2018, and the balance of the remaining 4,578 non-principal-guaranteed WMPs was RMB1,810,813 million, a decrease of RMB35,711 million over the end of 2018. The asset structure and maturity matching were improved significantly. The share of standardised assets increased significantly, with a balance of RMB905,654 million, accounting for 43.26% of the total assets, an increase of RMB91,844 million or 11.29% over the end of 2018. The balance of direct and indirect investment assets in wealth management business totalled RMB2,093,679 million, consisting of cash, deposits and interbank negotiable certificates of deposit totalling RMB308,010 million or 14.71%, bonds totalling RMB369,393 million or 17.64%, non-standardised debt assets totalling RMB532,511 million or 25.44%, and other assets totalling RMB883,765 or 42.41%.

### Investment banking business

Based on the requirements of deepening supply-side structural reform in the financial sector, the Bank proactively engaged in direct and indirect financing market with its investment banking capabilities to provide enterprises with comprehensive financial solutions that combined financing with intelligence. Its bonds underwriting business led the market and financial advisory business saw a rapid growth. The underwritten debt financing instruments for non-financial enterprises, a total of 346 batches, amounted to RMB241,039 million. The Bank also used instruments like Credit Risk Mitigation Warrants (CRMW) with debt financing instruments of RMB11,878 million underwritten and asset-backed securitisation projects of RMB3,147 million undertaken for private enterprises. The Bank issued US$1,850 million of overseas Tier 2 capital bonds and RMB1,099 million of securities backed by inclusive finance credit assets respectively. It registered RMB5,800 million for green bond projects for enterprises to deepen the cross-border cooperation in green finance. The cumulative amount of overseas debts underwritten reached US$35,977 million and an actual investment amount of debt-for-equity swaps and other integrated deleveraging businesses reached RMB90.7 billion. Meanwhile, the Bank actively served the customers potentially to list on the STAR Market with tailored financial services solutions.

**Financial institutional business**

The Bank proactively promoted the application of Fintech strategy in the financial institutional business, launched the operating system of financial institution service platform, and introduced products such as facial recognition, AnyChat, cloud platform for insurance agency business, and cloud services for finance companies and financial leasing, actively practising inclusive finance with the power of science and technology. At the end of June, the Bank’s assets placed with domestic financial institutions amounted to RMB707,852 million, a decrease of RMB57,819 million over the end of last year. The balance of due to other financial institutions (including insurance deposits) amounted to RMB1,312,355 million, an increase of RMB33,102 million over the end of last year.

## 4.2.5 Overseas Commercial Banking Business

The Group steadily expanded its overseas business and institutional network, broadened its service channels, and expanded its financial products, with enhanced globalised customer service capability and international competitiveness. In March 2019, the Bank’s Astana Branch was granted a license; in June, the Bank’s Labuan Branch was granted a license. By the end of June, the Group had established overseas institutions in 30 countries and regions, including Hong Kong, Singapore, Germany, South Africa, Japan, South Korea, the US, the UK, Vietnam, Australia, Russia, the United Arab Emirates, Taiwan, Luxembourg, Macau, New Zealand, Canada, France, the Netherlands, Spain, Italy, Switzerland, Brasil, Cayman Islands, Ireland, Chile, Indonesia, Malaysia, Poland, Kazakhstan. The Group had wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of the total share capital of CCB Indonesia. In the first half of 2019, net profit achieved by overseas commercial banking institutions was RMB4,337 million.

**CCB Asia**

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

CCB Asia is not only the Group’s service platform for retail banking and small and medium-sized enterprises in Hong Kong, but also has traditional advantages in providing wholesale financial services such as overseas syndicated loans and structured finance. It has achieved rapid growth in comprehensive financial services in international settlements, trade finance, financial market trading, large structured deposits and financial advisory service. At the end of June, total assets of CCB Asia amounted to RMB398,728 million, and shareholders’ equity was RMB56,848 million. Net profit in the first half of 2019 was RMB1,565 million.

**CCB London**

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

CCB London is dedicated to serving Chinese institutions in the UK, British companies with investment in China, and enterprises involved in Sino-British bilateral trade. It is mainly engaged in corporate deposits and loans, international settlement, trade finance, and financial market trading products, etc. At the end of June, total assets of CCB London amounted to RMB4,406 million, and shareholders’ equity was RMB3,614 million. Net profit in the first half of 2019 was RMB6 million.

**CCB Russia**

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

CCB Russia is dedicated to serving Chinese enterprises in Russian, large Russian enterprises and multinational enterprises involved in Sino-Russia bilateral trade. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business, clearing, etc. At the end of June, total assets of CCB Russia amounted to RMB3,086 million, and shareholders' equity was RMB693 million. Net profit in the first half of 2019 was RMB11 million.

**CCB Europe**

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

CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, cross-border trading, etc. At the end of June, total assets of CCB Europe amounted to RMB10,939 million, and shareholders' equity was RMB1,378 million. Negative net profit in the first half of 2019 was RMB33 million.

**CCB New Zealand**

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

CCB New Zealand offers Chinese "Going Global" enterprises and local enterprises all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of June, total assets of CCB New Zealand amounted to RMB7,104 million, and shareholders' equity was RMB1,012 million. Net profit in the first half of 2019 was RMB16 million.

**CCB Brasil**

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

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has eight domestic branches and sub-branches in Brasil, one Cayman branch, five wholly-owned subsidiaries, and one joint venture. These subsidiaries provide personal loans, credit cards, equipment leasing and other services, while the joint venture focuses on factoring and forfaiting. At the end of June, total assets of CCB Brasil were RMB32,744 million, and shareholders' equity was RMB2,654 million. Negative net profit in the first half of 2019 was RMB204 million.

**CCB Malaysia**

China Construction Bank (Malaysia) Berhad is a wholly-owned subsidiary of the Bank in Malaysia, established in 2016 with a registered capital of MYR822.6 million. It officially commenced business in 2017.

As a licensed commercial bank, CCB Malaysia can provide various financial services, including global credit granting, trade finance, supply chain finance, clearing in multiple currencies, and cross-border trading, for key projects involved in the Belt and Road Initiative, Sino-Malaysian bilateral trade enterprises, and large local infrastructure projects in Malaysia. At the end of June, total assets of CCB Malaysia were RMB6,928 million, and shareholders' equity was RMB1,400 million. Net profit in the first half of 2019 was RMB17 million.

**CCB Indonesia**

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange with a registered capital of IDR1.66 trillion and 60% of its equity is held by the Bank.

Headquartered in Jakarta, CCB Indonesia has 93 branches and sub-branches across Indonesia, covering all major islands of Indonesia. It provides commercial banking services, including loans and deposits, settlement and foreign exchange services. CCB Indonesia provides major support to the Belt and Road Initiative, promotes local development and serves Blue-Chip companies in Indonesia, and its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of June, total assets of CCB Indonesia were RMB7,860 million, and shareholders' equity was RMB1,228 million. Net profit in the first half of 2019 was RMB10 million.

## 4.2.6 Integrated Operation Subsidiaries

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment, CCB Wealth Management and CCB International. In the first half of 2019, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of June, total assets of the integrated operation subsidiaries were RMB516,712 million. Net profit in the first half of 2019 reached RMB3,180 million.

**CCB Principal Asset Management**

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

CCB Principal Asset Management maintained its leading position in various business indicators. At the end of June, total assets managed by CCB Principal Asset Management were RMB1.61 trillion. In this amount, mutual funds were RMB572,525 million. The size of its separately managed accounts was RMB452,565 million. Total assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB585,034 million. At the end of June, total assets of CCB Principal Asset Management were RMB6,452 million, and shareholders' equity was RMB5,327 million. Net profit in the first half of 2019 was RMB685 million.

## CCB Financial Leasing

CCB Financial Leasing Co., Ltd., established in 2007, is a wholly-owned subsidiary of the Bank with a registered capital of RMB8 billion. It is mainly engaged in finance leasing, transfer and purchase of finance leasing assets, fixed-income securities investment, collecting security deposits from lessees, interbank lending and placement, borrowing from financial institutions, overseas borrowing, sales and disposal of leased properties, economic consulting, establishing special purpose entities to provide leasing in domestic bonded areas, and providing guarantees for external financing by its subsidiaries and special purpose entities.

CCB Financial Leasing took root in the real economy, focused on sectors including transportation infrastructure, green energy, advanced manufacturing and people's livelihood services, expanded the development of aircraft leasing and shipping leasing, actively and steadily developed overseas business, consolidated risk management and control foundation and maintained a low level of NPL ratio in the industry, realising improvement in both development quality and benefits. At the end of June, total assets of CCB Financial Leasing were RMB141,682 million, and shareholders' equity was RMB15,363 million. Net profit in the first half of 2019 reached RMB887 million.

## CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009 with a registered capital of RMB1,527 million. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares respectively. It is mainly engaged in trust business, investment banking and proprietary business. Trust business mainly includes single fund trust, collective fund trust, property trust, equity trust and family trust, and the trust assets are mainly used for loans and investments. Investment banking mainly includes financial advisory service, equity trust and bonds underwriting. Proprietary business mainly includes lending, equity investment and securities investment with the equity funds.

CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered strong operating results. At the end of June, trust assets under management amounted to RMB1,442,197 million. Total assets of CCB Trust were RMB17,599 million, and shareholders' equity was RMB14,520 million. Net profit in the first half of 2019 was RMB1,035 million.

## CCB Life

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

CCB Life further optimised its business structure and its financial results continued to improve. At the end of June, total assets of CCB Life were RMB159,518 million, and shareholders' equity was RMB11,989 million. Net profit in the first half of 2019 was RMB382 million.

**Sino-German Bausparkasse**

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

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB16,729 million in the first half of 2019. At the end of June, total assets of Sino-German Bausparkasse were RMB22,301 million, and shareholders' equity was RMB2,929 million. Net profit in the first half of 2019 was RMB26 million.

**CCB Futures**

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

CCB Futures strengthened its ability to serve the real economy and maintained stable development in all business lines. At the end of June, total assets of CCB Futures were RMB5,078 million, and shareholders' equity was RMB681 million. Net profit in the first half of 2019 was RMB3 million.

**CCB Pension**

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

CCB Pension accelerated the business development of "House depositing + Pension" model, promoted the successful signing of the first "house-deposit for pension" business, and continued to optimise the comprehensive pension service platform to address the major concerns and issues in elderly care in China by giving full play to the advantages of pension finance. As the Bank continued to improve its investment management capabilities, it secured a top spot among market players for its investment performance. It also achieved remarkable success in the occupational annuity market, as it won all the public tenders for government-administered occupational annuity plans. At the end of June, assets under management by CCB Pension reached RMB424,505 million, total assets of CCB Pension were RMB2,962 million, and shareholders' equity was RMB2,361 million. Net profit in the first half of 2019 was RMB86 million.

**CCB Property & Casualty**

CCB Property & Casualty Insurance Co., Ltd. was officially incorporated in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Traffic Investment Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares respectively. CCB Property & Casualty's scope of business mainly includes motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accident injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of June, total assets of CCB Property & Casualty were RMB1,208 million, and shareholders' equity was RMB629 million. Negative net profit in the first half of 2019 was RMB9 million.

**CCB Investment**

CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was incorporated in 2017, with a registered capital of RMB12 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses, raising funds from qualified social investors for debt-for-equity swaps, issuance of financial debt securities exclusively used for debt-for-equity swaps, and other businesses.

CCB Investment adopted a market-oriented and law-based approach, and made active efforts to explore opportunities with innovations. By the end of June, it led the industry with framework agreements, a total contractual amount of RMB736.5 billion, and an actual investment amount of RMB180.5 billion. At the end of June, total assets of CCB Investment were RMB48,414 million, and shareholders' equity was RMB12,283 million. Net profit in the first half of 2019 was RMB167 million.

**CCB Wealth Management**

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

On 3 June 2019, as the first wealth management subsidiary of the commercial bank established in China, CCB Wealth Management was officially opened. The establishment of CCB Wealth Management will further improve the Bank's proactive management capability and professionalism in wealth management and asset management business, to support the steady development of the real economy and capital market.

**CCB International**

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

CCB International maintained stable development in all business lines by continuing to focus on the STAR Market development opportunities, supporting the development of national strategies and providing innovative services to the real economy. It led the industry in terms of the projects it acted as securities sponsor and underwriter as well as M&A financial advisor. At the end of June, total assets of CCB International were RMB75,453 million, and shareholders' equity was RMB9,680 million. Net profit in the first half of 2019 was RMB4 million.

### 4.2.7 Analysed by Geographical Segments

The following table sets forth the distribution of the Group's profit before tax by geographical segments:

| (In millions of RMB, except percentages) | Six months ended 30 June 2019 | | Six months ended 30 June 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Yangtze River Delta | 29,218 | 15.28 | 29,600 | 16.32 |
| Pearl River Delta | 25,510 | 13.34 | 29,680 | 16.36 |
| Bohai Rim | 19,989 | 10.46 | 19,793 | 10.91 |
| Central | 25,093 | 13.13 | 27,731 | 15.29 |
| Western | 22,140 | 11.58 | 26,827 | 14.79 |
| Northeastern | 6,488 | 3.39 | 333 | 0.18 |
| Head office | 56,824 | 29.72 | 40,253 | 22.19 |
| Overseas | 5,918 | 3.10 | 7,203 | 3.96 |
| **Profit before tax** | 191,180 | 100.00 | 181,420 | 100.00 |

The following table sets forth the distribution of the Group's assets by geographical segments:

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Yangtze River Delta | 4,703,296 | 13.75 | 4,552,908 | 13.78 |
| Pearl River Delta | 3,680,999 | 10.76 | 3,568,920 | 10.80 |
| Bohai Rim | 5,596,593 | 16.36 | 5,294,864 | 16.03 |
| Central | 4,380,953 | 12.80 | 4,207,180 | 12.73 |
| Western | 3,654,045 | 10.68 | 3,448,750 | 10.44 |
| Northeastern | 1,263,005 | 3.69 | 1,179,534 | 3.57 |
| Head office | 9,282,829 | 27.13 | 9,090,812 | 27.52 |
| Overseas | 1,651,735 | 4.83 | 1,694,519 | 5.13 |
| **Total assets** [1] | 34,213,455 | 100.00 | 33,037,487 | 100.00 |

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth the distribution of the Group's loans and NPLs by geographical segments:

| (In millions of RMB, except percentages) | As at 30 June 2019 | | | | As at 31 December 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Gross loans and advances** | **% of total** | **NPLs** | **NPL ratio (%)** | **Gross loans and advances** | **% of total** | **NPLs** | **NPL ratio (%)** |
| Yangtze River Delta | 2,525,441 | 17.41 | 25,860 | 1.02 | 2,386,931 | 17.36 | 26,234 | 1.10 |
| Pearl River Delta | 2,236,185 | 15.42 | 25,680 | 1.15 | 2,085,684 | 15.17 | 24,077 | 1.15 |
| Bohai Rim | 2,436,143 | 16.80 | 44,885 | 1.84 | 2,292,606 | 16.68 | 42,331 | 1.85 |
| Central | 2,577,847 | 17.78 | 37,048 | 1.44 | 2,418,013 | 17.59 | 34,087 | 1.41 |
| Western | 2,394,835 | 16.51 | 39,316 | 1.64 | 2,277,666 | 16.57 | 36,092 | 1.58 |
| Northeastern | 737,768 | 5.09 | 23,094 | 3.13 | 712,310 | 5.18 | 25,850 | 3.63 |
| Head office | 686,247 | 4.73 | 9,774 | 1.42 | 685,733 | 4.99 | 8,123 | 1.18 |
| Overseas | 907,469 | 6.26 | 2,412 | 0.27 | 887,312 | 6.46 | 4,087 | 0.46 |
| **Gross loans and advances excluding accrued interest** | 14,501,935 | 100.00 | 208,069 | 1.43 | 13,746,255 | 100.00 | 200,881 | 1.46 |

The following table sets forth the distribution of the Group's deposits by geographical segments:

| (In millions of RMB, except percentages) | As at 30 June 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Yangtze River Delta | 3,145,453 | 17.27 | 2,933,998 | 17.15 |
| Pearl River Delta | 2,800,080 | 15.37 | 2,514,306 | 14.70 |
| Bohai Rim | 3,281,801 | 18.02 | 3,106,230 | 18.16 |
| Central | 3,734,950 | 20.51 | 3,498,480 | 20.44 |
| Western | 3,414,425 | 18.75 | 3,262,605 | 19.07 |
| Northeastern | 1,171,665 | 6.43 | 1,115,627 | 6.52 |
| Head office | 10,364 | 0.06 | 7,241 | 0.04 |
| Overseas | 463,562 | 2.54 | 492,942 | 2.88 |
| **Accrued interest** | 191,772 | 1.05 | 177,249 | 1.04 |
| **Deposits from customers** | 18,214,072 | 100.00 | 17,108,678 | 100.00 |

## 4.3 CAPITAL MANAGEMENT

The Group has implemented comprehensive capital management, which covered management activities including the formulation of capital management policies, capital blueprint and planning, capital measurement, assessment on internal capital adequacy, capital allocation, capital incentive, restraint and transmission, capital raising, monitoring and reporting, and application of the advanced capital measurement approach in its daily operational management. The Bank's general capital management strategy is to adhere to its steady and prudent management principle, effectively balance the supply and demand of capital by relying on internal capital accumulation supplemented with external capital replenishment, strengthen capital restraints and incentives on business development, keep its capital adequacy above regulatory requirements with proper safety margin and buffer band, and continuously enhance the efficiency of use of capital.

In the first half of 2019, the Group maintained the balanced development of capital, business, profit and risk, by improving its group-wide capital management system, strengthening the transmission of regulatory capital pressure, and continuously optimising its capital planning management and incentive and restraint mechanism. With differentiated asset business allocation strategies, the Group further improved its asset structure, and maintained steady growth of risk-weighted assets with higher capital use efficiency. It pressed ahead with the development of IT systems and the use of new technologies, and as a result, its capabilities with respect to automation of capital management and application of big data were further enhanced.

**Scope for calculating capital adequacy ratios**

In accordance with the regulatory requirements, the Group calculates and discloses capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)*. The scope for calculating capital adequacy ratios includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded).

**Capital adequacy ratio**

At the end of June, considering relevant rules for the transitional period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 17.06%, 14.25% and 13.70%, respectively, all in compliance with the regulatory requirements.

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

| (In millions of RMB, except percentages) | **As at 30 June 2019** | | **As at 31 December 2018** | |
|---|---|---|---|---|
| | **The Group** | **The Bank** | **The Group** | **The Bank** |
| Common Equity Tier 1 capital after regulatory adjustments | 1,965,465 | 1,821,576 | 1,889,390 | 1,766,840 |
| Tier 1 capital after regulatory adjustments | 2,045,186 | 1,893,391 | 1,969,110 | 1,838,956 |
| Total capital after regulatory adjustments | 2,448,288 | 2,293,225 | 2,348,646 | 2,215,308 |
| Common Equity Tier 1 ratio | 13.70% | 13.47% | 13.83% | 13.74% |
| Tier 1 ratio | 14.25% | 14.00% | 14.42% | 14.30% |
| Total capital ratio | 17.06% | 16.95% | 17.19% | 17.22% |

## Risk-weighted assets

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

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

| (In millions of RMB) | **As at 30 June 2019** | **As at 31 December 2018** |
|---|---|---|
| **Credit risk-weighted assets** | **13,154,651** | **12,473,529** |
| Covered by the internal ratings-based approach | 8,635,989 | 8,369,011 |
| Uncovered by the internal ratings-based approach | 4,518,662 | 4,104,518 |
| **Market risk-weighted assets** | **127,945** | **120,524** |
| Covered by internal models approach | 76,341 | 72,578 |
| Uncovered by the internal models approach | 51,604 | 47,946 |
| **Operational risk-weighted assets** | **1,065,444** | **1,065,444** |
| **Additional risk-weighted assets due to the application of capital floor** | **-** | **-** |
| **Total risk-weighted assets** | **14,348,040** | **13,659,497** |

## 4.4 PROSPECTS

In the second half of 2019, the world economic landscape is likely to remain complicated, with weak prospects for global growth and myriad uncertainties associated with trade frictions. China is expected to face more challenges and mounting downward pressures despite many favourable factors for stable economic development. China will continue to pursue proactive fiscal policies and prudent monetary policies, implement more detailed policies on tax and fee cuts, and maintain reasonably sufficient liquidity.

China's banking industry faces both challenges and opportunities in its development. On the one hand, Sino-US trade frictions will have a negative impact on the development of certain industries, increasing uncertainties in China’s economic performance. Against the backdrop of downward pressures on the economy, certain enterprises will find it difficult to remain profitable, resulting in pressures on the banks’ asset quality. The higher volatility of the financial market will increase difficulties for banks to operate steadily. On the other hand, the implementation of national strategies, including the development of Xiong’an New Area, Guangdong-Hong Kong-Macau Greater Bay Area and new urbanisation will unleash more opportunities for business development of the banking industry. With the deepening of the supply-side structural reform, the upgrading of industrial structure and rural consumption, and the new wave of network and other infrastructure construction will bring huge demand for financial services; the development of direct financing will bring new development opportunities for investment banking and other businesses.

The Group will stay committed to its operating strategy of pursuing progress while ensuring stability, operate prudently and develop innovatively by focusing on value creation and risk management and control, and further enhance its ability to serve national construction, prevent financial risks and participate in international competition. The Group will focus on the following tasks: Firstly, taking full responsibilities as a large state-owned bank and increasing support for the real economy. Secondly, making solid progress in the implementation of the three major strategies of house rental, inclusive finance and Fintech, by upholding its customer-oriented philosophy and strengthening internal collaboration and external cooperation. Thirdly, adhering to steady operation and balanced development, and enhancing its ability to strike a balance between volume and prices, manage assets and expand liabilities. Fourthly, sticking to innovation-driven development, accelerating the upgrading of its comprehensive financial services capabilities in emerging sectors, and building new growth engines. Fifthly, cultivating a refined management culture, promoting refined management to ensure management quality and profitability. Lastly, strengthening risk prevention and control, compliance management, especially forward-looking risk management, and ensuring risk prevention and control in key businesses and regions.

# 5 MAJOR ISSUES

## 5.1 CORPORATE GOVERNANCE

The Bank is committed to a high standard of corporate governance. In strict compliance with the Company Law of the People's Republic of China, the Law of the People's Republic of China on Commercial Banks and other laws and regulations, regulatory rules and requirements, as well as the listing rules of the listing venues, the Bank continued to refine its corporate governance and improve related rules in line with its corporate governance practices.

During the reporting period, the Board of the Bank reviewed and approved proposals including 2018 Annual Report, 2019 fixed assets investment budget, the issuance of write-down undated capital bonds and write-down eligible tier-2 capital instruments, the establishment of CCB Europe's Branch in Hungary, the nomination of vice chairman and president of the Bank, the nomination of directors, the appointment of senior management, the revisions to the basic accounting policies, the establishment of the AML management policy, and the revisions to the compliance management policy.

During the reporting period, there was no material difference between the actual state of the Bank's corporate governance and the corporate governance regulations for the listing companies promulgated by the CSRC. The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially complied with the recommended best practices therein.

## 5.2 FORMULATION AND IMPLEMENTATION OF CASH DIVIDEND POLICY

As approved by the 2018 annual general meeting, the Bank distributed the 2018 cash dividend of RMB0.306 per share (including tax), totalling RMB2,936 million approximately, on 10 July 2019 to its A-share holders whose names appeared on the register of members after the close of market on 9 July 2019; it distributed the 2018 cash dividend of RMB0.306 per share (including tax), totalling RMB73,568 million approximately, on 30 July 2019 to its H-share holders whose names appeared on the register of members after the close of market on 9 July 2019. The Bank does not declare 2019 interim dividend nor does it propose any capitalisation of capital reserve into share capital.

Pursuant to the articles of association of the Bank, the Bank may distribute dividends in the form of cash, shares or a combination of cash and shares. Unless under special circumstances, as long as it is in profit for the year and has positive accumulative undistributed profits, the Bank distributes cash dividends no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis for the accounting year. For adjustments of the profit distribution policy, the Board shall hold a special discussion to verify the rationale to make the adjustments in detail, and prepare a written report; independent non-executive directors shall express their opinions, and a special resolution shall be submitted to the shareholders' general meeting for approval. The Bank shall provide the shareholders with online voting channels when considering the adjustments to the profit distribution policy.

The formulation and implementation of the Bank's profit distribution policy are in line with the provisions of the articles of association and the requirements of the resolution of the shareholders' general meeting. The procedures and mechanism for decision-making are sound, and the dividend criteria and payout ratio are clear and explicit. The independent non-executive directors performed their duty with due diligence in the decision-making process of the profit distribution plan. Minority shareholders can fully express their opinions and requests, with their legitimate rights and interests fully protected.

## 5.3 PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, there was no purchase, sale or redemption of the shares of the Bank by the Bank or any of its subsidiaries.

## 5.4 DIRECTORS AND SUPERVISORS' SECURITIES TRANSACTIONS

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code during the six months ended 30 June 2019.

## 5.5 EVENTS AFTER THE REPORTING PERIOD

On 11 August 2019, the Group has exercised the option to redeem the 4.04% fixed rate subordinated bonds issued in August 2009, with the nominal value of RMB10,000 million.

On 20 August 2019, the Group has exercised the option to redeem the 4.25% fixed rate subordinated bonds issued in August 2014, with the nominal value of US$750 million.

## 5.6 REVIEW OF HALF-YEAR REPORT

The Group's 2019 half-year financial statements prepared under PRC GAAP have been reviewed by Ernst & Young Hua Ming LLP, and the Group's 2019 half-year financial statements prepared under IFRS have been reviewed by Ernst & Young.

The Group's 2019 half-year report has been reviewed by the Audit Committee of the Bank.

By order of the board of directors

**CHINA CONSTRUCTION BANK CORPORATION**

**Liu Guiping**

*Vice chairman, executive director and president*

28 August 2019

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