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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602

2019 Interim Results Announcement

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the unaudited interim results of the Bank and its subsidiaries for the six months ended 30 June 2019. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the unaudited interim results. Information disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

	Stock name	Stock code	Stock exchange on which shares are listed
A Share	工商銀行	601398	Shanghai Stock Exchange
H Share	ICBC	1398	The Stock Exchange of Hong Kong Limited
Offshore	ICBC USDPREF1	4603	The Stock Exchange of Hong Kong Limited
Preference	ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
Share	ICBC CNHPREF1-R	84602	The Stock Exchange of Hong Kong Limited
Domestic	工行優 1	360011	Shanghai Stock Exchange
Preference			
Share			

1.2 Contact

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2. Financial Highlights

(Financial data and indicators in this Results Announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Financial Data

	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2017
Operating results (in RMB millions)			
Net interest income	299,301	277,616	250,922
Net fee and commission income	88,501	79,260	76,670
Operating income	394,203	361,302	336,739
Operating expenses	87,154	81,958	80,270
Impairment losses on assets	99,180	83,458	61,343
Operating profit	207,869	195,886	195,126
Profit before taxation	209,209	197,216	196,498
Net profit	168,690	160,657	153,687
Net profit attributable to equity holders of the parent company	167,931	160,442	152,995
Net cash flows from operating activities	1,004,798	186,532	346,542
Per share data (in RMB yuan)			
Basic earnings per share	0.47	0.45	0.43
Diluted earnings per share	0.47	0.45	0.43
	30 June 2019	31 December 2018	31 December 2017
Assets and liabilities (in RMB millions)			
Total assets	29,990,476	27,699,540	26,087,043
Total loans and advances to customers	16,271,224	15,419,905	14,233,448
Corporate loans	9,906,046	9,418,894	8,936,864
Personal loans	6,038,357	5,636,574	4,945,458
Discounted bills	326,821	364,437	351,126
Allowance for impairment losses on loans ⁽¹⁾	461,016	413,177	340,482
Investment	7,219,097	6,754,692	5,756,704
Total liabilities	27,561,581	25,354,657	23,945,987
Due to customers	23,125,437	21,408,934	19,562,936
Corporate deposits	12,405,595	11,481,141	10,705,465
Personal deposits	10,272,827	9,436,418	8,568,917
Other deposits	216,917	268,914	288,554
Accrued interest	230,098	222,461	—
Due to banks and other financial institutions	2,184,550	1,814,495	1,706,549
Equity attributable to equity holders of the parent company	2,413,376	2,330,001	2,127,491
Share capital	356,407	356,407	356,407
Net asset value per share ⁽²⁾ (in RMB yuan)	6.53	6.30	5.73
Net core tier 1 capital ⁽³⁾	2,315,462	2,232,033	2,030,108
Net tier 1 capital ⁽³⁾	2,395,570	2,312,143	2,110,060
Net capital base ⁽³⁾	2,861,532	2,644,885	2,406,920
Risk-weighted assets ⁽³⁾	18,167,672	17,190,992	15,902,801
Credit rating			
S&P ⁽⁴⁾	A	A	A
Moody's ⁽⁴⁾	A1	A1	A1

Notes: (1) Calculated by adding allowance for impairment losses on loans and advances to customers measured at amortised cost with allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(2) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(3) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

(4) The rating results are in the form of “long-term foreign currency deposits rating”.

2.2 Financial Indicators

	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2017
Profitability (%)			
Return on average total assets ⁽¹⁾	1.17*	1.20*	1.24*
Return on weighted average equity ⁽²⁾	14.41*	15.33*	15.69*
Net interest spread ⁽³⁾	2.13*	2.16*	2.03*
Net interest margin ⁽⁴⁾	2.29*	2.30*	2.16*
Return on risk-weighted assets ⁽⁵⁾	1.91*	1.96*	2.07*
Ratio of net fee and commission income to operating income	22.45	21.94	22.77
Cost-to-income ratio ⁽⁶⁾	21.13	21.51	22.68
	30 June 2019	31 December 2018	31 December 2017
Asset quality (%)			
Non-performing loans (“NPLs”) ratio ⁽⁷⁾	1.48	1.52	1.55
Allowance to NPLs ⁽⁸⁾	192.02	175.76	154.07
Allowance to total loans ratio ⁽⁹⁾	2.83	2.68	2.39
Capital adequacy (%)			
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	12.74	12.98	12.77
Tier 1 capital adequacy ratio ⁽¹⁰⁾	13.19	13.45	13.27
Capital adequacy ratio ⁽¹⁰⁾	15.75	15.39	15.14
Total equity to total assets ratio	8.10	8.47	8.21
Risk-weighted assets to total assets ratio	60.58	62.06	60.96

Notes: * indicates annualised ratios.

(1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by China Securities Regulatory Commission (“CSRC”).

- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less taxes and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

2.3 Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and Those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the six months ended 30 June 2019 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Overview of Business Operation

Since 2019, the Bank has carefully implemented decisions and plans made by the Party Central Committee and the State Council, remained committed to the underlying principle of pursuing progress while ensuring stability, insisted on combining inheritance and innovation, stayed strategy-oriented and invigorated itself, thereby maintaining the development trend of steady progress in business operation.

The ability to create value was improved steadily. During the first half of the year, the Group reported a net profit of RMB168,690 million and a profit before provision of RMB308,389 million, representing an increase of 5.0% and 9.9% compared with the same period of last year, respectively. Operating income amounted to RMB394,203 million, representing an increase of 9.1% compared to the same period of last year. Annualised return on average total assets (ROA) stood at 1.17%, and annualised return on weighted average equity (ROE) was 14.41%. The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker* of the United Kingdom for the seventh consecutive year, and took the 1st position among the Top 500 Banking Brands of *Brand Finance* for the third consecutive year.

Services for the real economy were better targeted and more meticulous. To actively meet the requirement of achieving high-quality economic development, the Bank contributed to deepening the supply-side structural reform in the financial industry, and strengthened its ability to adapt to and support the services for the real economy. During the first half year, the Bank's domestic branches newly extended RMB loans of RMB783,296 million, representing an increase of RMB178,666 million or 5.8% compared to the same period of last year. Non-credit financing and local government bond investment increased by RMB450.7 billion, where RMB382.9 billion was the increase in local government bond investment, representing an increase of 13.8%. In terms of the destination of capital, **first**, the Bank prioritized satisfying the funding needs of major national strategic projects. Project loans granted by the Bank's domestic branches grew by RMB253,712 million, occupying 54.9% of the total increment in corporate loans. Priorities were given to major national programs such as the coordinated development of Beijing-Tianjin-Hebei Region, Xiongan New Area, Guangdong-Hong Kong-Macau Greater Bay Area, integration of the Yangtze River Delta and the Belt and Road Initiative. **Second**, inclusive finance development improved in efficiency and quality. Growth rate of inclusive finance loans by both standards of the CBIRC and PBC exceeded 40%, and the increments were 3.5 and 5 times of those of the same period of last year, respectively. Both the balance and ratio of non-performing inclusive finance loans dropped, and the interest rate of inclusive finance loans newly extended stayed at a relatively low level compared to the prevailing market rate. Loans extended to private enterprises went up by RMB134.0 billion or 7.6% over the end of last year. Targeted poverty relief loans increased by RMB18.4 billion or 12.5% over the beginning of the year. **Third**, the Bank actively supported the supply-side structural reform and the change of drivers of growth. Loans granted to advanced manufacturing grew by RMB47.0 billion, and the balance of loans granted to domestic manufacturing stood at RMB1.43 trillion, keeping the first position in the industry. Loans extended to service industry increased by RMB54.0 billion, most of which went to medical care, education, elderly care and cultural fields. The Bank was one of the first to issue mutual funds on the science and technology innovation board to facilitate innovation and entrepreneurship as well as independent science and technology innovation. 23 new debt-for-equity swap projects were launched involving a total amount of RMB29.6 billion.

Foundation for risk control and management was further cemented. The asset quality was improved quarter by quarter by implementing the asset quality reinforcement project and doing a good job in keeping the three gates of access control, management and control over the existing assets and disposal of non-performing assets. The Group recorded an NPL ratio of 1.48% at the end of June, down 0.04 percentage points compared to the end of last year, falling for the 10th consecutive quarter. Allowance to NPLs rose by 16.26 percentage points over the end of last year to 192.02%. The Bank also refined the enterprise risk management system, set up a cross risk monitoring platform and a platform for monitoring risks arising from investment and financing activities of the Group, and reinforced full and thorough management over subsidiaries. Besides, the Bank also launched the "Responsibility Reinforcement Year" campaign in internal control and compliance, deepened risk governance in key areas and pressed forward with the building of a longstanding mechanism for overseas compliance management.

Business vigor and market competitiveness were enhanced continuously. By profoundly implementing the strategy of broadest customer base expansion, the Bank recorded a net increase of over 20 million in personal customers to a total of 627 million. The Bank was the first among domestic peers whose number of credit card holders hit 100 million. It also maintained a leading position among peers in terms of mobile banking customer size, loyalty and activeness. By virtue of a large customer base and improved services, the Bank's customer deposits increased by RMB1.72 trillion, setting a historical high of the period. By shoring up the foundation while pursuing transformation and upgrading, the Bank enhanced the driving effect and endurance ability of mega retail, asset management, investment banking and financial market. The Bank's subsidiaries ICBC Wealth Management was among the first to obtain approval from authorities for opening and ICBC Technology was opened in Xiongan New Area. A group of key reform projects relating to performance appraisal, intensive operation, process optimization and outlet transformation were advanced under coordinated arrangements, stimulating the Bank's operation energy and vitality. The intelligent banking project e-ICBC 3.0 was in full swing; an IT architecture renovation project was launched; and a variety of online financial service scenarios were set up, in a bid to build an open, win-win financial service ecosystem.

4. Discussion and Analysis

4.1 Income Statement Analysis

In the first half of 2019, in response to the complicated and changing economic and financial environment, the Bank stayed committed to serving the real economy and satisfying the financial demands of the customers, steadily improved the stability in both benefits and quality, and further enhanced the risk prevention and control capacity and management foundation. The Bank realized a net profit of RMB168,690 million in the first half of 2019, representing an increase of 5.0% as compared to the same period of last year. Annualised return on average total assets stood at 1.17%, and annualised return on weighted average equity was 14.41%. Operating income amounted to RMB394,203 million, recording an increase of 9.1%. Specifically, net interest income was RMB299,301 million, growing by 7.8%. Non-interest income reached RMB94,902 million, rising by 13.4%. Operating expenses amounted to RMB87,154 million, representing an increase of 6.3%, and the cost-to-income ratio was 21.13%. Impairment losses on assets were RMB99,180 million, indicating an increase of 18.8%. Income tax expense grew by 10.8% to RMB40,519 million.

Net Interest Income

In the first half of 2019, net interest income amounted to RMB299,301 million, representing an increase of RMB21,685 million or 7.8% compared to the same period of last year. Interest income amounted to RMB508,157 million, growing by RMB51,350 million or 11.2%, and interest expenses rose by RMB29,665 million or 16.6% to RMB208,856 million. Net interest spread and net interest margin came at 2.13% and 2.29%, 3 basis points and 1 basis point lower than those of the same period of last year, respectively.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	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						
Loans and advances to customers	15,565,865	347,076	4.50	14,354,420	308,525	4.33
Investment	5,959,219	107,102	3.62	5,313,645	96,174	3.65
Due from central banks ⁽²⁾	2,987,287	22,923	1.55	3,153,941	24,495	1.57
Due from banks and other financial institutions ⁽³⁾	1,861,237	31,056	3.36	1,515,512	27,613	3.67
Total interest-generating assets	26,373,608	508,157	3.89	24,337,518	456,807	3.79
Non-interest-generating assets	2,801,819			2,288,134		
Allowance for impairment losses on assets	(449,670)			(378,758)		
Total assets	28,725,757			26,246,894		
Liabilities						
Deposits	20,298,590	158,304	1.57	18,959,576	134,025	1.43
Due to banks and other financial institutions ⁽³⁾	2,618,923	32,161	2.48	2,529,011	31,520	2.51
Debt securities issued	1,010,266	18,391	3.67	730,992	13,646	3.76
Total interest-bearing liabilities	23,927,779	208,856	1.76	22,219,579	179,191	1.63
Non-interest-bearing liabilities	2,150,512			1,695,294		
Total liabilities	26,078,291			23,914,873		
Net interest income		299,301			277,616	
Net interest spread			2.13			2.16
Net interest margin			2.29			2.30

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses on assets represent the average of the balances at the beginning of the period and at the end of the period.

(2) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB347,076 million, RMB38,551 million or 12.5% higher as compared to the same period of last year, as affected by the increase in loans and advances to customers and the increase of average yield by 17 basis points.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Average balance	Interest Income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,260,250	65,692	4.06	3,397,885	67,522	4.01
Medium to long-term loans	12,305,615	281,384	4.61	10,956,535	241,003	4.44
Total loans and advances to customers	<u>15,565,865</u>	<u>347,076</u>	4.50	<u>14,354,420</u>	<u>308,525</u>	4.33

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	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	8,463,506	189,388	4.51	7,924,274	172,934	4.40
Discounted bills	348,872	6,182	3.57	297,223	7,334	4.98
Personal loans	5,354,568	121,855	4.59	4,736,890	103,024	4.39
Overseas business	1,398,919	29,651	4.27	1,396,033	25,233	3.64
Total loans and advances to customers	15,565,865	347,076	4.50	14,354,420	308,525	4.33

◆ *Interest Income on Investment*

Interest income on investment amounted to RMB107,102 million, representing an increase of RMB10,928 million or 11.4% as compared to the same period of last year, mainly due to the increase in investment.

◆ *Interest Income on Due from Central Banks*

Interest income on due from central banks was RMB22,923 million, representing a decrease of RMB1,572 million or 6.4% as compared to the same period of last year, mainly due to the adjustment of mandatory reserve requirement ratio.

◆ *Interest Income on Due from Banks and Other Financial Institutions*

Interest income on due from banks and other financial institutions was RMB31,056 million, representing an increase of RMB3,443 million or 12.5% as compared to the same period of last year, principally due to the increase in the size of due from banks and other financial institutions as the Bank proactively offered fund lending to the market during the reporting period.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB158,304 million, representing an increase of RMB24,279 million or 18.1% as compared to the same period of last year, due to the increase of interest payout ratio of deposits by 14 basis points and the expansion in the size of due to customers.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,401,246	51,813	2.37	4,189,911	47,496	2.29
Demand deposits	<u>6,239,762</u>	<u>23,203</u>	<u>0.75</u>	<u>5,775,956</u>	<u>19,761</u>	<u>0.69</u>
Subtotal	<u>10,641,008</u>	<u>75,016</u>	<u>1.42</u>	<u>9,965,867</u>	<u>67,257</u>	<u>1.36</u>
Personal deposits						
Time deposits	5,052,482	65,759	2.62	4,430,268	52,886	2.41
Demand deposits	<u>3,814,418</u>	<u>7,449</u>	<u>0.39</u>	<u>3,740,038</u>	<u>6,954</u>	<u>0.37</u>
Subtotal	<u>8,866,900</u>	<u>73,208</u>	<u>1.66</u>	<u>8,170,306</u>	<u>59,840</u>	<u>1.48</u>
Overseas business	<u>790,682</u>	<u>10,080</u>	<u>2.57</u>	<u>823,403</u>	<u>6,928</u>	<u>1.70</u>
Total deposits	<u>20,298,590</u>	<u>158,304</u>	<u>1.57</u>	<u>18,959,576</u>	<u>134,025</u>	<u>1.43</u>

◆ *Interest Expense on Due to Banks and Other Financial Institutions*

Interest expense on due to banks and other financial institutions was RMB32,161 million, representing an increase of RMB641 million or 2.0% as compared to the same period of last year.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB18,391 million, indicating an increase of RMB4,745 million or 34.8% over the same period of last year, mainly attributable to the increase in the size of the financial bonds, bills and CDs issued by domestic subsidiaries and overseas institutions and the issuance of RMB110.0 billion of tier 2 capital bonds by the Bank during the reporting period.

Non-interest Income

In the first half of 2019, non-interest income increased by RMB11,216 million or 13.4% to RMB94,902 million, accounting for 24.1% of the Bank's operating income. Specifically, net fee and commission income grew by 11.7% to RMB88,501 million, and other non-interest income increased by 44.6% to RMB6,401 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months	Six months	Increase/ (decrease)	Growth rate (%)
	ended 30 June 2019	ended 30 June 2018		
Bank card business	22,480	21,939	541	2.5
Settlement, clearing business and cash management	20,544	16,478	4,066	24.7
Personal wealth management and private banking services	15,501	16,402	(901)	(5.5)
Investment banking business	15,037	13,489	1,548	11.5
Guarantee and commitment business	7,808	5,569	2,239	40.2
Corporate wealth management services	7,504	7,537	(33)	(0.4)
Asset custody business	3,986	3,844	142	3.7
Trust and agency services	1,010	1,094	(84)	(7.7)
Others	1,378	1,351	27	2.0
Fee and commission income	95,248	87,703	7,545	8.6
Less: Fee and commission expense	6,747	8,443	(1,696)	(20.1)
Net fee and commission income	88,501	79,260	9,241	11.7

The Bank focused on serving the real economy and satisfying the financial needs of consumers, and made continuous efforts to promote the transformation and innovation of intermediary services. In the first half of 2019, the Bank realized a net fee and commission income of RMB88,501 million, representing an increase of RMB9,241 million or 11.7% as compared to the same period of last year. Specifically, the bank card business income recorded an increase of RMB541 million, as mainly benefited by the steady growth in credit card installment service fee; income on settlement, clearing business and cash management increased by RMB4,066 million, mainly due to the increase of income driven by the rapid growth of third party payment; the investment banking business income increased by RMB1,548 million, primarily attributable to the rapid growth of business income of enterprise information service, syndicated arrangement underwriting and management, etc.; the income on guarantee and commitment business registered an increase of RMB2,239 million, mainly due to the increase in income driven by the fast development of commitment business.

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

Item	Six months	Six months	Increase/ (decrease)	Growth rate (%)
	ended 30 June 2019	ended 30 June 2018		
Net trading income	5,873	3,044	2,829	92.9
Net (loss)/gain on financial investments	(3,424)	1,929	(5,353)	(277.5)
Other operating income/(expense), net	3,952	(547)	4,499	N/A
Total	6,401	4,426	1,975	44.6

Other non-interest related gains amounted to RMB6,401 million, representing an increase of RMB1,975 million or 44.6% as compared to the same period of last year. Among these, the increase in the net trading income was mainly attributable to the increase in the valuation gains of derivatives; the net loss on financial investments was primarily a result of the increase in the payment to customers driven by the expansion in the size of structured deposits; other net operating income increased mainly due to the growth in the income on insurance business and operating lease.

Operating Expenses

In RMB millions, except for percentages

Item	Six months	Six months	Increase/ (decrease)	Growth rate (%)
	ended 30 June 2019	ended 30 June 2018		
Staff costs	56,220	51,005	5,215	10.2
Property and equipment expenses	12,355	12,627	(272)	(2.2)
Taxes and surcharges	3,851	4,237	(386)	(9.1)
Amortisation	1,188	1,124	64	5.7
Others	13,540	12,965	575	4.4
Total	87,154	81,958	5,196	6.3

The Bank attached importance to scaling up the input of resources into major areas and constantly improving the input structure. The operating expenses amounted to RMB87,154 million, representing an increase of RMB5,196 million or 6.3% as compared to the same period of last year.

Impairment Losses on Assets

In the first half of 2019, the Bank set aside the impairment losses on assets of RMB99,180 million, an increase of RMB15,722 million or 18.8% as compared to the same period of last year. Specifically, the impairment losses on loans was RMB91,896 million, indicating an increase of RMB14,344 million or 18.5%.

Income Tax Expense

Income tax expense increased by RMB3,960 million or 10.8% to RMB40,519 million as compared to the same period of last year. The effective tax rate was 19.37%.

4.2 Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the MOVA (Management of Value Accounting) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	394,203	100.0	361,302	100.0
Corporate banking	203,670	51.7	176,779	49.0
Personal banking	144,228	36.6	137,831	38.1
Treasury operations	44,231	11.2	43,751	12.1
Others	2,074	0.5	2,941	0.8
Profit before taxation	209,209	100.0	197,216	100.0
Corporate banking	87,516	41.8	79,576	40.3
Personal banking	83,896	40.1	78,856	40.0
Treasury operations	37,671	18.0	37,400	19.0
Others	126	0.1	1,384	0.7

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
Operating income	394,203	100.0	361,302	100.0
Head Office	55,846	14.2	44,432	12.3
Yangtze River Delta	66,387	16.8	63,485	17.6
Pearl River Delta	50,558	12.8	48,830	13.5
Bohai Rim	71,715	18.3	65,528	18.1
Central China	46,947	11.9	44,230	12.2
Western China	57,473	14.6	54,185	15.0
Northeastern China	14,777	3.7	13,951	3.9
Overseas and others	30,500	7.7	26,661	7.4
Profit before taxation	209,209	100.0	197,216	100.0
Head Office	33,466	16.0	19,148	9.7
Yangtze River Delta	40,671	19.4	41,418	21.0
Pearl River Delta	26,551	12.7	28,517	14.5
Bohai Rim	32,585	15.6	33,872	17.1
Central China	23,110	11.0	23,309	11.8
Western China	29,683	14.2	30,677	15.6
Northeastern China	3,507	1.7	3,167	1.6
Overseas and others	19,636	9.4	17,108	8.7

4.3 Balance Sheet Analysis

In the first half of 2019, in response to the complicated development trends externally, the Bank adhered to the prudent and steady business strategy based on the macroeconomic policies, performance of the real economy, sources of funds and state of risk control, and promoted the moderate growth and continuous structure optimization of total assets and liabilities and the continuous enhancement of resource allocation efficiency. The Bank accurately responded to the demand of real economy by bringing its leading bank role in the supply-side structural reform into full play. The Bank carried out the strategy of broadest customer base expansion, consolidated the deposit business development foundation and therefore achieved the rapid growth of deposits.

Assets Deployment

As at 30 June 2019, total assets of the Bank amounted to RMB29,990,476 million, RMB2,290,936 million or 8.3% higher than that at the end of the prior year. Specifically, total loans and advances to customers (collectively referred to as “total loans”) increased by RMB851,319 million or 5.5% to RMB16,271,224 million, investment increased by RMB464,405 million or 6.9% to RMB7,219,097 million, and cash and balances with central banks increased by RMB620,536 million or 18.4% to RMB3,993,112 million.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	16,271,224	—	15,419,905	—
Add: Accrued interest	43,820	—	38,958	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	460,836	—	412,731	—
Net loans and advances to customers	15,854,208	52.9	15,046,132	54.3
Investment	7,219,097	24.1	6,754,692	24.4
Cash and balances with central banks	3,993,112	13.3	3,372,576	12.2
Due from banks and other financial institutions	955,009	3.2	962,449	3.5
Reverse repurchase agreements	954,807	3.2	734,049	2.6
Others	1,014,243	3.3	829,642	3.0
Total assets	<u>29,990,476</u>	<u>100.0</u>	<u>27,699,540</u>	<u>100.0</u>

Loan

In the first half of 2019, the Bank stepped up efforts to its financial service to the real economy, effectively backed the key areas such as major infrastructure projects under construction and for weakness improvement, advanced manufacturing, national strategic regions, private enterprises and inclusive finance, and rationally supported the financing demands of resident households for owner-occupied houses. As at 30 June 2019, total loans amounted to RMB16,271,224 million, RMB851,319 million or 5.5% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB14,374,717 million, RMB783,296 million or 5.8% higher than that at the end of 2018.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	9,906,046	60.9	9,418,894	61.0
Discounted bills	326,821	2.0	364,437	2.4
Personal loans	6,038,357	37.1	5,636,574	36.6
Total	16,271,224	100.0	15,419,905	100.0

Corporate loans rose by RMB487,152 million or 5.2% from the end of last year. With a focus on the investment and financing business development and innovation in the national strategic regions like Guangdong-Hong Kong-Macau Greater Bay Area, Beijing-Tianjin-Hebei Integration and Yangtze River Delta Integration, the Bank strengthened the support for sectors such as public facilities, transportation, advanced manufacturing and consumption upgrade services, in a bid to promote regional collaborated development and industrial transformation and upgrade.

Personal loans increased by RMB401,783 million or 7.1% than that at the end of last year. Specifically, residential mortgages grew by RMB325,472 million or 7.1%, mainly because the Bank supported the residents' financing demands for owner-occupied houses; personal business loans increased by RMB85,981 million or 39.8%, primarily attributable to the rapid growth of e-Mortgage Quick Loan, Quick Lending for Operation and other online loan products in the inclusive finance.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	15,590,159	95.81	14,733,891	95.56
Special mention	440,979	2.71	450,930	2.92
NPLs	240,086	1.48	235,084	1.52
Substandard	115,436	0.71	108,821	0.70
Doubtful	93,688	0.58	90,383	0.59
Loss	30,962	0.19	35,880	0.23
Total	16,271,224	100.00	15,419,905	100.00

The quality of loans continued to improve. As at the end of June 2019, according to the five-category classification, pass loans amounted to RMB15,590,159 million, representing an increase of RMB856,268 million compared to the end of the previous year and accounting for 95.81% of total loans. Special mention loans amounted to RMB440,979 million, representing a decrease of RMB9,951 million and accounting for 2.71% of total loans, dropping 0.21 percentage points. NPLs amounted to RMB240,086 million, showing an increase of RMB5,002 million, and NPL ratio was 1.48%, with a drop of 0.04 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2019				At 31 December 2018			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	9,906,046	60.9	198,381	2.00	9,418,894	61.0	194,696	2.07
Discounted bills	326,821	2.0	0	0.00	364,437	2.4	268	0.07
Personal loans	6,038,357	37.1	41,705	0.69	5,636,574	36.6	40,120	0.71
Total	16,271,224	100.0	240,086	1.48	15,419,905	100.0	235,084	1.52

Corporate NPLs were RMB198,381 million, showing an increase of RMB3,685 million when compared with the end of the previous year, and representing a NPL ratio of 2.00%, with a drop of 0.07 percentage points. Personal NPLs stood at RMB41,705 million, showing an increase of RMB1,585 million, representing a NPL ratio of 0.69%, with a drop of 0.02 percentage points.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions, except for percentages

Item	At 30 June 2019				At 31 December 2018			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	1,992,873	23.7	14,006	0.70	1,894,425	23.8	15,016	0.79
Manufacturing	1,428,016	16.9	83,160	5.82	1,385,463	17.4	79,790	5.76
Leasing and commercial services	1,147,296	13.6	7,239	0.63	1,048,548	13.2	6,279	0.60
Production and supply of electricity, heat, gas and water	940,262	11.1	2,059	0.22	919,768	11.5	2,113	0.23
Water, environment and public utility management	876,056	10.4	1,304	0.15	770,221	9.7	1,718	0.22
Real estate	651,052	7.7	11,959	1.84	592,031	7.4	9,823	1.66
Wholesale and retail	476,343	5.6	44,336	9.31	488,031	6.1	52,588	10.78
Construction	260,799	3.1	3,842	1.47	232,736	2.9	3,749	1.61
Science, education, culture and sanitation	198,289	2.4	1,942	0.98	170,315	2.1	1,461	0.86
Mining	186,182	2.2	5,820	3.13	185,313	2.3	3,966	2.14
Lodging and catering	94,265	1.1	6,039	6.41	95,530	1.2	4,951	5.18
Others	184,540	2.2	6,597	3.57	191,146	2.4	4,962	2.60
Total	8,435,973	100.0	188,303	2.23	7,973,527	100.0	186,416	2.34

In the first half of 2019, the Bank made more efforts to serve major areas of the real economy, and continued to improve and adjust the allocation of credits to industries. Specifically, loans to water, environment and public utility management increased by RMB105,835 million, representing a growth rate of 13.7%, mainly for steadily meeting investment and financing demand arising from significant projects and projects for people's livelihood in the areas of urban infrastructure, environmental protection and public services. Loans to leasing and commercial service increased by RMB98,748 million, representing a growth rate of 9.4%, mainly due to fast growth in commercial services including investment and asset management and development zones etc. Loans to transportation, storage and postal services increased by RMB98,448 million, representing a growth rate of 5.2%, mainly for satisfying the financing demand arising from highway and urban rail transit construction.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2019				At 31 December 2018			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	730,677	4.5	20,256	2.77	723,302	4.7	20,036	2.77
Yangtze River Delta	3,012,354	18.5	23,999	0.80	2,823,603	18.4	24,195	0.86
Pearl River Delta	2,221,818	13.7	26,546	1.19	2,072,857	13.4	30,480	1.47
Bohai Rim	2,660,231	16.3	59,236	2.23	2,524,307	16.4	54,489	2.16
Central China	2,357,272	14.5	35,150	1.49	2,202,221	14.3	36,401	1.65
Western China	2,893,074	17.8	37,167	1.28	2,735,901	17.7	35,572	1.30
Northeastern China	786,077	4.8	27,120	3.45	759,140	4.9	25,186	3.32
Overseas and others	1,609,721	9.9	10,612	0.66	1,578,574	10.2	8,725	0.55
Total	16,271,224	100.0	240,086	1.48	15,419,905	100.0	235,084	1.52

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Item	Movements of allowance for impairment losses on loans and advances to customers measured at amortised cost				Movements of allowance for impairment losses on loans and advances to customers measured at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	158,084	81,406	173,241	412,731	198	0	248	446
Transfer:								
to stage 1	11,627	(9,306)	(2,321)	–	–	–	–	–
to stage 2	(3,967)	8,175	(4,208)	–	–	–	–	–
to stage 3	(842)	(18,715)	19,557	–	–	–	–	–
Charge/(reverse)	49,287	19,279	23,596	92,162	(18)	0	(248)	(266)
Write-offs and transfer out	–	–	(44,050)	(44,050)	–	–	–	–
Recoveries of loans and advances previously written off	–	–	1,223	1,223	–	–	–	–
Other movements	62	(15)	(1,277)	(1,230)	(0)	(0)	–	(0)
Balance at 30 June 2019	214,251	80,824	165,761	460,836	180	0	–	180

At the end of June 2019, the allowance for impairment losses on loans stood at RMB461,016 million, of which RMB460,836 million on loans measured at amortised cost, and RMB180 million on loans measured at fair value through other comprehensive income. Allowance to NPLs was 192.02%, showing an increase of 16.26 percentage points as compared to the end of last year; allowance to total loans ratio was 2.83%, showing an increase of 0.15 percentage points.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	7,456,440	45.9	7,056,026	45.8
Pledged loans	1,208,569	7.4	1,256,196	8.1
Guaranteed loans	2,293,769	14.1	2,157,264	14.0
Unsecured loans	5,312,446	32.6	4,950,419	32.1
Total	16,271,224	100.0	15,419,905	100.0

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 30 June 2019		At 31 December 2018	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	88,995	0.55	91,153	0.59
3 months to 1 year	80,627	0.50	83,846	0.54
1 to 3 years	70,592	0.43	63,010	0.41
Over 3 years	33,028	0.20	31,923	0.21
Total	273,242	1.68	269,932	1.75

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB273,242 million, representing an increase of RMB3,310 million from the end of the previous year. Among them, loans overdue for over 3 months amounted to RMB184,247 million, representing an increase of RMB5,468 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB8,022 million, representing an increase of RMB811 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB1,151 million, representing an increase of RMB8 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.5% and 12.9% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single customers was RMB367,756 million, accounting for 2.26% of the total loans.

Investment

In the first half of 2019, in line with the development trend of financial markets, the Bank appropriately adjusted the investment strategy and actively supported the development of the real economy. As at 30 June 2019, investment amounted to RMB7,219,097 million, representing an increase of RMB464,405 million or 6.9% from the end of the previous year. Among these, bonds rose by RMB459,277 million or 7.6% from the end of the previous year to RMB6,508,353 million.

INVESTMENT

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	6,508,353	90.2	6,049,076	89.6
Equity instruments	71,748	1.0	57,909	0.9
Funds and others ⁽¹⁾	546,117	7.6	563,346	8.3
Accrued interest	92,879	1.2	84,361	1.2
Total	7,219,097	100.0	6,754,692	100.0

Note: (1) Includes assets invested by funds raised by the issuance of principal-guaranteed wealth management products by the Bank.

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	4,429,153	68.1	4,040,956	66.9
Central bank bonds	38,540	0.6	32,746	0.5
Policy bank bonds	689,528	10.6	774,732	12.8
Other bonds	1,351,132	20.7	1,200,642	19.8
Total	6,508,353	100.0	6,049,076	100.0

In terms of distribution by issuers, government bonds increased by RMB388,197 million or 9.6% over the end of last year; central bank bonds increased by RMB5,794 million or 17.7%; policy bank bonds went down by RMB85,204 million or 11.0%; and other bonds increased by RMB150,490 million or 12.5%. In order to support the development of the real economy, the Bank stepped up the investment in government bonds, financial bonds and quality corporate bonds taking into consideration the bond market supply and the value of bond investment.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	5,894,666	90.6	5,547,079	91.7
USD-denominated bonds	418,461	6.4	356,034	5.9
Other foreign currency bonds	195,226	3.0	145,963	2.4
Total	6,508,353	100.0	6,049,076	100.0

In terms of currency structure, RMB-denominated bonds rose by RMB347,587 million or 6.3%. USD-denominated bonds increased by an equivalent of RMB62,427 million, up 17.5%; other foreign currency bonds increased by an equivalent of RMB49,263 million or 33.8%. During the reporting period, the Bank improved the investment portfolio structure of foreign currency bonds, spread portfolio risks and properly increased the investment in bonds denominated in other currencies with a focus on the investment in USD-denominated bonds.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	889,923	12.3	805,347	11.9
Financial investments measured at fair value through other comprehensive income	1,472,624	20.4	1,430,163	21.2
Financial investments measured at amortised cost	4,856,550	67.3	4,519,182	66.9
Total	7,219,097	100.0	6,754,692	100.0

As at 30 June 2019, the Group held RMB1,405,482 million of financial bonds¹, including RMB689,528 million of policy bank bonds and RMB715,954 million of bonds issued by banks and non-bank financial institutions, accounting for 49.1% and 50.9% of financial bonds, respectively.

¹ Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bonds.

Reverse Repurchase Agreements

The reverse repurchase agreements were RMB954,807 million, an increase of RMB220,758 million or 30.1% from the end of last year, mainly because the Bank appropriately adjusted the size of funds lent to the market based on its internal and external liquidity status.

Liabilities

As at 30 June 2019, total liabilities reached RMB27,561,581 million, an increase of RMB2,206,924 million or 8.7% compared with the end of last year.

LIABILITIES

Item	<i>In RMB millions, except for percentages</i>			
	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	23,125,437	83.9	21,408,934	84.4
Due to banks and other financial institutions	2,184,550	7.9	1,814,495	7.2
Repurchase agreements	281,796	1.0	514,801	2.0
Debt securities issued	775,410	2.8	617,842	2.4
Others	1,194,388	4.4	998,585	4.0
Total liabilities	<u>27,561,581</u>	<u>100.0</u>	<u>25,354,657</u>	<u>100.0</u>

Due to Customers

Due to customers is the Bank's main source of funds. As at 30 June 2019, the balance of due to customers was RMB23,125,437 million, RMB1,716,503 million or 8.0% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits grew by RMB924,454 million or 8.1%; and the balance of personal deposits increased by RMB836,409 million or 8.9%. In terms of maturity structure, the balance of time deposits rose by RMB1,023,043 million or 9.7%, while the balance of demand deposits grew by RMB737,820 million or 7.1%. In terms of currency structure, RMB deposits stood at RMB21,644,992 million, an increase of RMB1,585,699 million or 7.9%. Foreign currency deposits were equivalent to RMB1,480,445 million, an increase of RMB130,804 million or 9.7%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	5,347,694	23.1	5,076,005	23.7
Demand deposits	7,057,901	30.5	6,405,136	29.9
Subtotal	12,405,595	53.6	11,481,141	53.6
Personal deposits				
Time deposits	6,256,590	27.1	5,505,236	25.7
Demand deposits	4,016,237	17.4	3,931,182	18.4
Subtotal	10,272,827	44.5	9,436,418	44.1
Other deposits⁽¹⁾	216,917	0.9	268,914	1.3
Accrued interest	230,098	1.0	222,461	1.0
Total	23,125,437	100.0	21,408,934	100.0

Note: (1) Includes outward remittance and remittance payables.

Repurchase Agreements

Repurchase agreements were RMB281,796 million, a decrease of RMB233,005 million or 45.3% from the end of last year, mainly because the Bank appropriately adjusted the size of funds raised based on its internal and external liquidity status.

Shareholders' Equity

As at 30 June 2019, shareholders' equity amounted to RMB2,428,895 million in aggregate, RMB84,012 million or 3.6% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB83,375 million or 3.6% to RMB2,413,376 million.

4.4 Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios at all levels in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). According to the scope of implementing the advanced capital management approaches as approved by the former China Banking Regulatory Commission (the "former CBRC"), the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA.

As at the end of June 2019, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 12.74%, 13.19% and 15.75% respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2019	At 31 December 2018
Core tier 1 capital	2,330,151	2,247,021
Paid-in capital	356,407	356,407
Valid portion of capital reserve	151,969	151,968
Surplus reserve	262,152	261,636
General reserve	279,223	278,980
Retained profits	1,283,370	1,205,924
Valid portion of minority interests	3,875	3,752
Others	(6,845)	(11,646)
Core tier 1 capital deductions	14,689	14,988
Goodwill	8,876	8,820
Other intangible assets other than land use rights	2,229	1,927
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,396)	(3,739)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,315,462	2,232,033
Additional tier 1 capital	80,108	80,110
Additional tier 1 capital instruments and related premium	79,375	79,375
Valid portion of minority interests	733	735
Net tier 1 capital	2,395,570	2,312,143
Tier 2 capital	465,962	332,742
Valid portion of tier 2 capital instruments and related premium	292,478	202,761
Surplus provision for loan impairment	171,683	127,990
Valid portion of minority interests	1,801	1,991
Tier 2 capital deductions	–	–
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–
Net capital base	2,861,532	2,644,885
Risk-weighted assets⁽¹⁾	18,167,672	17,190,992
Core tier 1 capital adequacy ratio	12.74%	12.98%
Tier 1 capital adequacy ratio	13.19%	13.45%
Capital adequacy ratio	15.75%	15.39%

Note: (1) Refers to risk-weighted assets after capital floor and adjustments.

LEVERAGE RATIO

Item	<i>In RMB millions, except for percentages</i>			
	At 30 June 2019	At 31 March 2019	At 31 December 2018	At 30 September 2018
Net tier 1 capital	2,395,570	2,395,508	2,312,143	2,249,959
Balance of adjusted on- and off-balance sheet assets	32,093,349	31,442,163	29,679,878	30,363,117
Leverage ratio	7.46%	7.62%	7.79%	7.41%

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for external capital replenishment and continuously promoted the issuance of new types of capital instruments.

According to the capital planning and capital replenishment planning, the Bank publicly issued two tranches of tier 2 capital bonds, each worth RMB55.0 billion, in March and April 2019 respectively in China's national inter-bank bond market. The funds raised totaled RMB110.0 billion, which will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws and approvals by the regulatory authorities. In July 2019, the Bank publicly issued the undated additional tier 1 capital bonds of RMB80.0 billion in China's national inter-bank bond market. The funds raised will be used to replenish the Bank's additional tier 1 capital in accordance with the applicable laws and approvals by the regulatory authorities.

The proposals on the issuance of domestic and offshore preference shares were reviewed and approved at the First Extraordinary General Meeting of 2018 of the Bank. The Bank received approvals from CBIRC and CSRC respectively in April and June 2019, approving the non-public issuance of up to 700 million preference shares of the Bank in the domestic market to raise no more than RMB70.0 billion, which will be counted as the additional tier 1 capital of the Bank according to relevant regulations.

Please refer to the announcements published by the Bank on the "HKEXnews" website of HKEX and website of Shanghai Stock Exchange for details on the issuance of capital instruments.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	At 30 June 2019	At 31 December 2018	At 31 December 2017
Liquidity ratio (%)	RMB	>=25.0	45.5	43.8	41.7
	Foreign currency	>=25.0	93.2	83.0	86.2
Loan-to-deposit ratio (%)	RMB and foreign currency		68.5	71.0	71.1
Percentage of loans to single largest customer (%)		<=10.0	3.5	3.8	4.9
Percentage of loans to top 10 customers (%)			12.9	12.9	14.2
Loan migration ratio (%)	Pass		0.8	1.7	2.7
	Special mention		17.0	25.3	23.2
	Substandard		25.2	38.8	71.1
	Doubtful		11.0	25.2	10.6

Corporate Bonds

The Bank did not issue any corporate bonds that need to be disclosed as per the No. 3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Half-Year Reports (Revision 2017) or the No. 39 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Half-Year Reports on Corporate Bonds.

4.6 Outlook

The banking sector will still face a complicated economic landscape in the second half of 2019. On the one hand, the world economic environment is expected to tighten on the whole. There are more sources of global unrest and risk points, and considerable uncertainties in economic operations. On the other hand, the Chinese economy will continue to operate robustly. A host of macro control policies such as streamlining administration and delegating power, cutting taxes and fees, and targeted easing start to take effect, creating a business environment in favor of the banking sector's sound and efficient operation.

For the next half of 2019, the Bank will take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as a guide, strengthen the Party leadership and building on all fronts, and enforce full and strict discipline over the Party so as to drive full and strict governance bank-wide. At the same time, it will resolutely implement all major policies and plans made by the state, and do a good job in serving the real economy, forestalling and defusing various risks, and advancing all aspects of the reform and innovation.

- ❖ **First**, committed to basing the Bank on service. The Bank will play a leading and backbone role in serving the needs of the real economy and Chinese people. At the same time, it will push forward the financial supply-side structural reform, render inclusive finance and private companies with what they need exactly, and bring finance and real economy under a virtuous circle. Furthermore, it will work hard to adapt to, lead and create customers' needs, in a bid to develop into a bank of people's satisfaction.
- ❖ **Second**, committed to defining the Bank with value. The Bank will keep closely aware of the rules underpinning economic and social development, technological change and operation of commercial banks, adapt itself to the overall trend of advocating creation, innovation and original ideas, and strive to secure more phenomenal and signature innovative achievements. Meanwhile, it will push forward the institutional reform, unleash the vitality and efficiency of various business entities, and get more benefit out of sophisticated management.
- ❖ **Third**, committed to empowering the Bank with technology. The Bank will embrace the future, forge an open ecology, and seek for agile development and intelligent operation. Embracing FinTech in a more open, inclusive and progressive manner, it will transform every aspect of the traditional financial system toward intelligent operation with new technologies and modes. Meanwhile, it will endeavor to create a financial ecology that advocates openness, cooperation and a win-win outcome, thus becoming a trendsetter and pioneer of smart finance.
- ❖ **Fourth**, committed to worldwide operations. The Bank will take the initiative to get itself involved in the state's big picture of reform and opening-up, further promote the international development with the intensified top-level design and overall coordination, and increase the ability to pool together capital available all over the world, and do better in allocating cross-border resources. While integrating its operations at home and abroad for joint actions, it will seek for localized, featured and professional development, realize one-click access and global response, and embark on a new journey toward international development.
- ❖ **Fifth**, committed to escorting the Bank with risk control efforts. The Bank will better combine the prevention and mitigation of financial risks with the provision of services for the real economy, enhance the capability to proactively manage credit and dispose of non-performing assets, properly manage liquidity risk and market risk, continue to intensify the management of compliance risk, AML risk and reputational risk existing globally, and set the example of a large bank in compliant and robust operation.
- ❖ **Sixth**, committed to talent-driven development. The Bank will establish a strategy of driving development with professionals, put in place a sound mechanism of employee selection and recruitment, emphasize personnel cultivation and development, attach equal importance to management and care, and endeavour to build the teams of high-caliber professional personnel who are loyal, faithful, and responsible. Additionally, it will care for employees for real, and further ignite their enthusiasm for work and entrepreneurship bank-wide.

5. Information Disclosed Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional)

Capital Adequacy Ratio

◆ *Scope of Capital Adequacy Ratio Calculation*

The scope of capital adequacy ratio calculation shall cover the Bank and all eligible financial institutions in which the Bank has a direct or indirect investment as specified in the Regulation Governing Capital of Commercial Banks (Provisional).

◆ *Results of Capital Adequacy Ratio Calculation*

In RMB millions, except for percentages

Item	At 30 June 2019		At 31 December 2018	
	Group	Parent	Group	Parent
		Company		Company
Net core tier 1 capital	2,315,462	2,089,035	2,232,033	2,040,396
Net tier 1 capital	2,395,570	2,150,999	2,312,143	2,102,348
Net capital base	2,861,532	2,603,463	2,644,885	2,419,120
Core tier 1 capital adequacy ratio	12.74%	12.82%	12.98%	13.23%
Tier 1 capital adequacy ratio	13.19%	13.20%	13.45%	13.63%
Capital adequacy ratio	15.75%	15.98%	15.39%	15.68%

◆ *Measurement of Risk-Weighted Assets*

According to the scope of implementing the advanced capital management approaches as approved by the former CBRC, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA.

RISK-WEIGHTED ASSETS

Item	In RMB millions	
	At 30 June 2019	At 31 December 2018
Credit risk-weighted assets	16,550,122	15,558,010
Parts covered by internal ratings-based approach	10,886,904	10,373,820
Parts uncovered by internal ratings-based approach	5,663,218	5,184,190
Market risk-weighted assets	353,148	368,580
Parts covered by internal model approach	269,267	308,425
Parts uncovered by internal model approach	83,881	60,155
Operational risk-weighted assets	1,264,402	1,264,402
Total	18,167,672	17,190,992

Credit Risk

CREDIT RISK EXPOSURE

Item	At 30 June 2019		At 31 December 2018	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	9,863,092	1,586,978	9,509,057	1,500,505
Sovereign	—	5,692,376	—	5,391,809
Financial institution	—	3,813,901	—	3,225,894
Retail	5,880,602	471,476	5,479,175	469,137
Equity	—	97,630	—	85,409
Asset securitisation	—	80,327	—	79,182
Others	—	6,090,717	—	5,444,366
Total risk exposure	15,743,694	17,833,405	14,988,232	16,196,302

Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

Risk type	At 30 June	At 31 December
	2019	2018
Parts covered by internal model approach	21,541	24,674
Parts uncovered by internal model approach	6,711	4,812
Interest rate risk	3,155	2,220
Commodity risk	3,465	2,534
Stock risk	39	16
Option risk	52	42
Total	28,252	29,486

Note: According to the scope of implementing the advanced capital management approaches as approved by the former CBRC, the internal model approach for market risk of the Bank covers the Group's currency risk, the general interest rate risk of the parent company and Industrial and Commercial Bank of China (Canada) and the commodity risk of the parent company. Parts uncovered by the internal model approach are measured by the standardized approach.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of 10 days and historical data of 250 days) to measure VaR for use in capital measurement by internal model approach.

VALUE AT RISK (VAR)

In RMB millions

Item	Six months ended 30 June 2019				Six months ended 30 June 2018			
	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
VaR	2,732	2,524	3,522	2,090	3,902	3,504	3,902	3,087
Interest rate risk	198	210	263	117	88	109	147	74
Currency risk	2,743	2,589	3,564	2,168	3,837	3,421	3,837	2,990
Commodity risk	65	61	83	15	42	52	101	21
Stressed VaR	4,295	3,973	4,295	3,772	3,902	3,504	3,902	3,087
Interest rate risk	228	248	326	139	96	136	356	76
Currency risk	4,194	3,877	4,194	3,654	3,837	3,414	3,837	2,990
Commodity risk	69	57	87	32	33	45	99	19

Operational Risk

The Bank adopted the standardized approach to measure capital requirement for operational risk. As at the end of June 2019, the capital requirement for operational risk was RMB101,152 million.

Interest Rate Risk in the Banking Book

Supposing that there is parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity in the banking book of the Bank categorized by major currencies in the first half of 2019 is shown in the following table:

In RMB millions

Currency	+100 basis points		-100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(24,494)	(51,865)	24,494	54,404
USD	(1,034)	(3,467)	1,034	3,468
HKD	(253)	(72)	253	72
Others	230	(383)	(230)	383
Total	(25,551)	(55,787)	25,551	58,327

Equity Risk in the Banking Book

In RMB millions

Equity type	At 30 June 2019			At 31 December 2018		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾
Financial institution	30,347	14,944	6,117	31,385	11,948	4,526
Corporate	2,466	49,873	(174)	1,939	40,137	976
Total	32,813	64,817	5,943	33,324	52,085	5,502

Notes: (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealised potential gains (losses) refer to the unrealised gains (losses) recognized on the balance sheet but not recognized on the income statement.

6. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

6.1 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 569,107 ordinary shareholders and no holders of preference shares with voting rights restored, including 121,853 holders of H shares and 447,254 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	<i>Unit: Share</i>
						Increase/decrease of shares during the reporting period
Central Huijin Investment Ltd.	State-owned	A Share	34.71	123,717,852,951	None	–
Ministry of Finance of the People's Republic of China	State-owned	A Share	34.60	123,316,451,864	None	–
HKSCC Nominees Limited/ Hong Kong Securities Clearing Company Limited ⁽⁴⁾	Foreign legal person	H Share	24.17	86,150,196,660	Unknown	-1,467,674
		A Share	0.29	1,024,403,066	None	151,252,828
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	–
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.68	2,416,131,564	None	–
Wutongshu Investment Platform Co., Ltd.	State-owned legal person	A Share	0.40	1,420,781,042	None	–
Central Huijin Asset Management Co., Ltd.	State-owned legal person	A Share	0.28	1,013,921,700	None	–
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.10	342,104,327	None	-403,610,830
China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu	Other entities	A Share	0.08	272,392,994	None	-728,452,258
SSE 50 Exchange Traded Open-End Index Securities Investment Fund of ICBC Credit Suisse Asset Management Co., Ltd.	Other entities	A Share	0.05	188,294,255	None	-177,920,445

Notes: (1) The above data are based on the Bank's register of shareholders as at 30 June 2019.

(2) The Bank had no shares subject to restrictions on sales.

- (3) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Both “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” and “China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu” are managed by China Life Insurance Company Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the aforementioned shareholders.
- (4) HKSCC Nominees Limited held 86,150,196,660 H shares and Hong Kong Securities Clearing Company Limited held 1,024,403,066 A shares.

6.2 Changes of the Controlling Shareholders and De Facto Controller

During the reporting period, the Bank’s controlling shareholders and de facto controller remained unchanged.

6.3 Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 30 June 2019, the Bank received notices from the following persons about their interests or short positions held in the Bank’s ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares ⁽³⁾ (%)	Percentage of total ordinary shares ⁽³⁾ (%)
Ministry of Finance of the People’s Republic of China ⁽¹⁾	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Central Huijin Investment Ltd. ⁽²⁾	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2019, Ministry of Finance of the People’s Republic of China held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 30 June 2019, Central Huijin Investment Ltd. held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Central Huijin Investment Ltd., held 1,013,921,700 shares in the Bank.

(3) Due to rounding, percentages presented herein are for reference only.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares ⁽²⁾ (%)	Percentage of total ordinary shares ⁽²⁾ (%)
Ping An Asset Management Co., Ltd. ⁽¹⁾	Investment manager	12,168,809,000	Long position	14.02	3.41
National Council for Social Security Fund	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
Citigroup Inc.	Person holding guaranteed interests in shares	5,757,000	Long position	0.01	0.00
	Interest of controlled corporations	256,781,554	Long position	0.30	0.07
	Approved lending agent	4,109,856,188	Long position	4.74	1.15
	Total	4,372,394,742		5.04	1.23
	Interest of controlled corporations	85,975,521	Short position	0.10	0.02

Notes: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 30 June 2019 (the date of relevant event being 12 June 2019). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

(2) Due to rounding, percentages presented herein are for reference only.

6.4 Preference Shares

◆ *Issuance and Listing of Preference Shares in Latest Three Years*

The Bank did not issue any preference shares in the past three years.

◆ *Issuance of Preference Shares*

The First Extraordinary General Meeting of 2018 of the Bank reviewed and approved relevant proposals on issuance of domestic and offshore preference shares. In April and June 2019, the Bank received approvals from CBIRC and CSRC respectively, approving the non-public issuance of no more than 700 million domestic preference shares by the Bank to raise no more than RMB70.0 billion of funds, which will be counted as the additional tier 1 capital of the Bank in accordance with relevant regulations. Please refer to the announcements published by the Bank on the “HKEXnews” website of HKEX and website of Shanghai Stock Exchange.

◆ *Changes in Preference Shares*

As at the end of the reporting period, the Bank had 28 preference shareholders (or proxies), including two offshore preference shareholders (or proxies) and 26 domestic preference shareholders.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Cede & Co.	Foreign legal person	USD offshore preference shares	–	147,000,000	47.9	–	Unknown
The Bank of New York Depository (Nominees) Limited	Foreign legal person	RMB offshore preference shares	–	120,000,000	39.1	–	Unknown
		EUR offshore preference shares	–	40,000,000	13.0	–	Unknown

Notes: (1) The above data are based on the Bank’s register of offshore preference shareholders as at 30 June 2019.

(2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of places.

(3) The Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders or among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(4) “Shareholding percentage” refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
China Mobile Communications Group Co., Ltd.	Other entities	Domestic preference shares	–	200,000,000	44.4	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	11.1	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	35,000,000	7.8	–	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	30,000,000	6.7	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOCOM Schrodgers Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOC International (China) Limited	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	10,000,000	2.2	–	None

Notes: (1) The above data are based on the Bank’s register of domestic preference shareholders as at 30 June 2019.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. Both the “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” and the “China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu” are managed by China Life Insurance Company Limited. The “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders or among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) “Shareholding percentage” refers to the percentage of domestic preference shares held by preference shareholders in total number of domestic preference shares.

◆ *Dividend Distribution of Preference Shares*

During the reporting period, the Bank did not distribute any dividend on preference shares.

◆ *Redemption or Conversion of Preference Shares*

During the reporting period, the Bank did not redeem or convert any preference share.

◆ *Restoration of Voting Rights of Preference Shares*

During the reporting period, the Bank did not restore any voting right of preference share.

◆ *Accounting Policy Adopted for Preference Shares and Rationale*

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, and the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments promulgated by Ministry of Finance of the People's Republic of China as well as the International Financial Reporting Standard 9 — Financial Instruments and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and the key terms of issuance of the Bank's preference shares, the issued and existing preference shares of the Bank do not contain contractual obligations to deliver cash or other financial assets or contractual obligations to deliver variable equity instruments for settlement, and shall be accounted for as other equity instruments.

7. Material Assets Acquisition, Sale and Merger

During the reporting period, the Bank had no material assets acquisition, sale and merger.

8. Other Information

8.1 Corporate Governance Code

During the reporting period, the Bank fully complied with the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules).

8.2 Profits and Dividends Distribution

The formulation and implementation of the Bank's cash dividend policy, which has been reviewed and approved by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

As approved at the Annual General Meeting for the Year 2018 held on 20 June 2019, the Bank has distributed cash dividends of about RMB89,315 million, or RMB2.506 per ten shares (pre-tax) for the period from 1 January 2018 to 31 December 2018 to the ordinary shareholders whose names appeared on the share register after the close of market on 2 July 2019. The Bank will not declare or distribute interim dividends for 2019, nor will it convert any capital reserves to share capital.

During the reporting period, the Bank did not distribute any dividend on preference shares.

8.3 Purchase, Sale and Redemption of Shares

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

8.4 Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the reporting period.

8.5 Establishment of ICBC Wealth Management Co., Ltd. and ICBC Information and Technology Co., Ltd.

ICBC Wealth Management Co., Ltd. and ICBC Information and Technology Co., Ltd. were put into operation during the reporting period. Please refer to the announcements published by the Bank on the websites of "HKEXnews" of HKEX and Shanghai Stock Exchange.

8.6 Issues Concerning the New External Investment by a Subsidiary

ICBC Investment, the Bank's wholly-owned subsidiary, intends to be the transferee of the domestic shares of Bank of Jinzhou Co., Ltd. at a sum no more than RMB3.0 billion ("the Investment"), and the shares to be received by ICBC Investment constitute 10.82% of the total number of the ordinary shares of Bank of Jinzhou Co., Ltd. ICBC Investment and the transferors of the relevant shares have signed the share transfer agreements. The Investment does not constitute a connected transaction or a major asset restructuring by the Bank. For details, please refer to the announcements published by the Bank on the websites of "HKEXnews" of HKEX and Shanghai Stock Exchange.

8.7 Review of the Interim Report

The 2019 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

The Interim Report has been reviewed and approved by the Audit Committee of the Board of Directors of the Bank.

9. Interim Financial Report

9.1 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

9.1.1 Unaudited Interim Consolidated Statement of Profit or Loss

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Interest income	508,157	456,807
Interest expense	(208,856)	(179,191)
NET INTEREST INCOME	299,301	277,616
Fee and commission income	95,248	87,703
Fee and commission expense	(6,747)	(8,443)
NET FEE AND COMMISSION INCOME	88,501	79,260
Net trading income	5,873	3,044
Net (loss)/gain on financial investments	(3,424)	1,929
Other operating income/(expense), net	3,952	(547)
OPERATING INCOME	394,203	361,302
Operating expenses	(87,154)	(81,958)
Impairment losses on assets	(99,180)	(83,458)
OPERATING PROFIT	207,869	195,886
Share of profits of associates and joint ventures	1,340	1,330
PROFIT BEFORE TAXATION	209,209	197,216
Income tax expense	(40,519)	(36,559)
PROFIT FOR THE PERIOD	168,690	160,657
Attributable to:		
Equity holders of the parent company	167,931	160,442
Non-controlling interests	759	215
PROFIT FOR THE PERIOD	168,690	160,657
EARNINGS PER SHARE		
— Basic (RMB yuan)	0.47	0.45
— Diluted (RMB yuan)	0.47	0.45

9.1.2 Unaudited Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Profit for the period	168,690	160,657
Other comprehensive income (after tax, net):		
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	783	329
Other comprehensive income recognised under equity method	5	6
Others	0	(3)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at fair value through other comprehensive income	3,994	11,944
Credit losses of debt instruments measured at fair value through other comprehensive income	(41)	(1,434)
Reserve from cash flow hedging instruments	(643)	(40)
Other comprehensive income recognised under equity method	(356)	395
Foreign currency translation differences	1,011	(2,359)
Others	(9)	(230)
Subtotal of other comprehensive income for the period	4,744	8,608
Total comprehensive income for the period	173,434	169,265
Total comprehensive income attributable to:		
Equity holders of the parent company	172,689	169,083
Non-controlling interests	745	182
	173,434	169,265

9.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

	30 June 2019 (unaudited)	31 December 2018 (audited)
ASSETS		
Cash and balances with central banks	3,993,112	3,372,576
Due from banks and other financial institutions	955,009	962,449
Derivative financial assets	61,598	71,335
Reverse repurchase agreements	954,807	734,049
Loans and advances to customers	15,854,208	15,046,132
Financial investments	7,219,097	6,754,692
— Financial investments measured at fair value through profit or loss	889,923	805,347
— Financial investments measured at fair value through other comprehensive income	1,472,624	1,430,163
— Financial investments measured at amortised cost	4,856,550	4,519,182
Investments in associates and joint ventures	29,837	29,124
Property and equipment	285,428	290,404
Deferred income tax assets	58,957	58,375
Other assets	578,423	380,404
TOTAL ASSETS	29,990,476	27,699,540
LIABILITIES		
Due to central banks	1,232	481
Financial liabilities designated as at fair value through profit or loss	92,805	87,400
Derivative financial liabilities	78,553	73,573
Due to banks and other financial institutions	2,184,550	1,814,495
Repurchase agreements	281,796	514,801
Certificates of deposit	361,971	341,354
Due to customers	23,125,437	21,408,934
Income tax payable	55,729	84,741
Deferred income tax liabilities	1,936	1,217
Debt securities issued	775,410	617,842
Other liabilities	602,162	409,819
TOTAL LIABILITIES	27,561,581	25,354,657
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	356,407	356,407
Other equity instruments	86,051	86,051
Reserves	686,396	680,877
Retained profits	1,284,522	1,206,666
	2,413,376	2,330,001
Non-controlling interests	15,519	14,882
TOTAL EQUITY	2,428,895	2,344,883
TOTAL EQUITY AND LIABILITIES	29,990,476	27,699,540

9.1.4 Unaudited Interim Consolidated Statement of Changes in Equity

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
	Reserves										Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal				
Balance as at 1 January 2019	356,407	86,051	152,043	261,720	279,064	15,495	(22,894)	(3,804)	(747)	680,877	1,206,666	2,330,001	14,882	2,344,883
Profit for the period	-	-	-	-	-	-	-	-	-	-	167,931	167,931	759	168,690
Other comprehensive income	-	-	-	-	-	4,710	1,041	(633)	(360)	4,758	-	4,758	(14)	4,744
Total comprehensive income	-	-	-	-	-	4,710	1,041	(633)	(360)	4,758	167,931	172,689	745	173,434
Dividends — ordinary shares 2018 final	-	-	-	-	-	-	-	-	-	-	(89,315)	(89,315)	-	(89,315)
Appropriation to surplus reserve (i)	-	-	-	516	-	-	-	-	-	516	(516)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	244	-	-	-	-	244	(244)	-	-	-
Change in share holding in subsidiaries	-	-	(3)	-	-	-	-	-	-	(3)	-	(3)	(8)	(11)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	57	57
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(157)	(157)
Others	-	-	-	-	-	-	-	-	4	4	-	4	-	4
Balance as at 30 June 2019 (unaudited)	<u>356,407</u>	<u>86,051</u>	<u>152,040</u>	<u>262,236</u>	<u>279,308</u>	<u>20,205</u>	<u>(21,853)</u>	<u>(4,437)</u>	<u>(1,103)</u>	<u>686,396</u>	<u>1,284,522</u>	<u>2,413,376</u>	<u>15,519</u>	<u>2,428,895</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB16 million and RMB500 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amounts of RMB244 million.

	Attributable to equity holders of the parent company													
	Reserves										Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal				
Balance as at 31 December 2017	356,407	86,051	152,043	232,703	264,892	(31,752)	(26,302)	(3,761)	(334)	587,489	1,097,544	2,127,491	13,565	2,141,056
Impact of adopting IFRS 9	-	-	-	-	-	22,877	-	-	-	22,877	(55,035)	(32,158)	(32)	(32,190)
Balance as at 1 January 2018	356,407	86,051	152,043	232,703	264,892	(8,875)	(26,302)	(3,761)	(334)	610,366	1,042,509	2,095,333	13,533	2,108,866
Profit for the period	-	-	-	-	-	-	-	-	-	-	160,442	160,442	215	160,657
Other comprehensive income	-	-	-	-	-	10,649	(2,149)	(27)	168	8,641	-	8,641	(33)	8,608
Total comprehensive income	-	-	-	-	-	10,649	(2,149)	(27)	168	8,641	160,442	169,083	182	169,265
Dividends — ordinary shares 2017 final	-	-	-	-	-	-	-	-	-	-	(85,823)	(85,823)	-	(85,823)
Appropriation to surplus reserve (i)	-	-	-	419	-	-	-	-	-	419	(419)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	1,510	-	-	-	-	1,510	(1,510)	-	-	-
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	76	76
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(189)	(189)
Others	-	-	-	-	-	-	-	-	6	6	-	6	-	6
Balance as at 30 June 2018 (unaudited)	<u>356,407</u>	<u>86,051</u>	<u>152,043</u>	<u>233,122</u>	<u>266,402</u>	<u>1,774</u>	<u>(28,451)</u>	<u>(3,788)</u>	<u>(160)</u>	<u>620,942</u>	<u>1,115,199</u>	<u>2,178,599</u>	<u>13,602</u>	<u>2,192,201</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB24 million and RMB395 million, respectively.

(ii) Includes the reversal made by overseas branches in the amounts of RMB15 million and appropriation made by subsidiaries in the amounts of RMB1,525 million, respectively.

Attributable to equity holders of the parent company

	Reserves												Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 31 December 2017	356,407	86,051	152,043	232,703	264,892	(31,752)	(26,302)	(3,761)	(334)	587,489	1,097,544	2,127,491	13,565	2,141,056
Impact of adopting IFRS 9	-	-	-	-	-	22,877	-	-	-	22,877	(55,035)	(32,158)	(32)	(32,190)
Balance as at 1 January 2018	356,407	86,051	152,043	232,703	264,892	(8,875)	(26,302)	(3,761)	(334)	610,366	1,042,509	2,095,333	13,533	2,108,866
Profit for the year	-	-	-	-	-	-	-	-	-	-	297,676	297,676	1,047	298,723
Other comprehensive income	-	-	-	-	-	24,369	3,408	(43)	(429)	27,305	-	27,305	504	27,809
Total comprehensive income	-	-	-	-	-	24,369	3,408	(43)	(429)	27,305	297,676	324,981	1,551	326,532
Dividends — ordinary shares 2017 final	-	-	-	-	-	-	-	-	-	-	(85,823)	(85,823)	-	(85,823)
Dividends — preference shares	-	-	-	-	-	-	-	-	-	-	(4,506)	(4,506)	-	(4,506)
Appropriation to surplus reserve (i)	-	-	-	29,017	-	-	-	-	-	29,017	(29,017)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	14,172	-	-	-	-	14,172	(14,172)	-	-	-
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	76	76
Change in share holding in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	49	49
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(327)	(327)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	1	-	-	-	1	(1)	-	-	-
Others	-	-	-	-	-	-	-	-	16	16	-	16	-	16
Balance as at 31 December 2018 (audited)	<u>356,407</u>	<u>86,051</u>	<u>152,043</u>	<u>261,720</u>	<u>279,064</u>	<u>15,495</u>	<u>(22,894)</u>	<u>(3,804)</u>	<u>(747)</u>	<u>680,877</u>	<u>1,206,666</u>	<u>2,330,001</u>	<u>14,882</u>	<u>2,344,883</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB103 million and RMB596 million, respectively.

(ii) Includes the reversal made by overseas branches in the amounts of RMB9 million and appropriation made by subsidiaries in the amounts of RMB2,345 million, respectively.

9.1.5 Unaudited Interim Consolidated Cash Flow Statement

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	209,209	197,216
Adjustments for:		
Share of profits of associates and joint ventures	(1,340)	(1,330)
Depreciation	12,414	9,867
Amortisation	1,188	1,124
Amortisation of financial investments	443	2,487
Impairment losses on assets	99,180	83,458
Unrealised losses on foreign exchange	926	7,769
Interest expense on debt securities issued	13,789	10,641
Accreted interest on impaired loans	(1,167)	(1,318)
Net loss/(gain) on disposal of financial investments	3,772	(708)
Net trading gain on equity investments	(1,124)	(217)
Net (gain)/loss on changes at fair value	(9,061)	3,336
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(792)	(1,173)
Dividend income	(348)	(142)
	327,089	311,010
Net decrease/(increase) in operating assets:		
Due from central banks	28,757	82,101
Due from banks and other financial institutions	(53,029)	(62,790)
Financial investments measured at fair value through profit or loss	(45,557)	(277,088)
Reverse repurchase agreements	(77,977)	15,465
Loans and advances to customers	(896,890)	(634,484)
Other assets	(199,849)	(107,182)
	(1,244,545)	(983,978)
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated as at fair value through profit or loss	3,745	(8,383)
Due to central banks	749	(28)
Due to banks and other financial institutions	374,821	207,225
Repurchase agreements	(233,047)	(490,061)
Certificates of deposit	20,418	11,925
Due to customers	1,708,866	1,236,900
Other liabilities	117,462	(32,424)
	1,993,014	925,154
Net cash flows from operating activities before tax	1,075,558	252,186
Income tax paid	(70,760)	(65,654)
Net cash flows from operating activities	1,004,798	186,532

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(14,928)	(15,308)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	1,326	817
Purchases of financial investments	(1,248,373)	(994,124)
Proceeds from sale and redemption of financial investments	849,306	780,827
Investments in associates and joint ventures	(76)	(1,603)
Proceeds from disposal of associates and joint ventures	–	28
Dividends received	1,173	942
	<u>(411,572)</u>	<u>(228,421)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling shareholders	57	76
Proceeds from issuance of debt securities	624,360	534,584
Interest paid on debt securities	(6,935)	(5,287)
Repayment of debt securities	(478,939)	(496,085)
Acquisition of non-controlling interests	(11)	–
Dividends paid to non-controlling shareholders	(157)	(189)
	<u>138,375</u>	<u>33,099</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	731,601	(8,790)
Cash and cash equivalents at beginning of the period	1,509,524	1,520,330
Effect of exchange rate changes on cash and cash equivalents	948	9,283
	<u>2,242,073</u>	<u>1,520,823</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	519,707	469,024
Interest paid	(191,352)	(182,841)

9.2 Significant Accounting Policies

Except as described below accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the Group's annual financial statements for the year ending 31 December 2019. The principal effects of new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs"), and International Financial Reporting Interpretations Committee ("IFRICs")) are as follows:

IFRS 16, "Leases"

The Group has initially adopted IFRS 16 Leases ("IFRS 16") from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease* ("IFRIC 4"). The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

For a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group acting as a lessee

The Group leases many assets, including properties, electronic equipments, transportation, and other office equipments.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group includes all major leases in the balance sheet, and recognises right-of-use assets and lease liabilities.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets, and leases with less than 12 months of lease term. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified. The Group presents the right-of-use asset in other assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group presents the lease liability in other liabilities.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Impacts on IFRS16 transition

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. At the date of initial application, the Group initially recognized lease liabilities of RMB26,867 million and right-of-use assets of RMB30,296 million and no impacts on the beginning balance of retained earnings.

When measuring lease liabilities for leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

	Group	Bank
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	21,683	13,077
— Recognition exemption of low-value assets and leases with less than 12 months of lease term at transition	(948)	(746)
— Extension options reasonably certain to be exercised	<u>1,013</u>	<u>476</u>
Lease payments under IFRS 16 (without discounting)	<u>21,748</u>	<u>12,807</u>
Present value discounted using the incremental borrowing rate at 1 January 2019	19,475	11,741
Financial lease liabilities recognised as at 31 December 2018	<u>7,392</u>	<u>—</u>
Lease liabilities recognised as at 1 January 2019	<u><u>26,867</u></u>	<u><u>11,741</u></u>

IFRIC 23, “Uncertainty over income tax treatments”

This interpretation provides guidance on how to apply IAS 12, *Income taxes* when there is uncertainty over whether a tax treatment will be accepted by the tax authority.

Under the interpretation, the key test is whether it is probable that the tax authority will accept the entity’s tax treatment.

- If it is probable, then the entity should measure current and deferred tax consistently with the tax treatment in its tax return;
- If it is not probable, then the entity should reflect the effect of uncertainty in its accounting for income tax by using the “expected value” approach or the “the most likely amount” approach — whichever better predicts the resolution of the uncertainty and in that case the tax amounts in the financial statements will not be the same as the amounts in the tax return.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IFRS 9, Financial instruments “Prepayment features with negative compensation and modifications of financial liabilities”

The IASB has changed IFRS 9’s requirements in two areas of financial instruments accounting.

- Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9;
- For the companies that have modified or exchanged fixed rate financial liabilities that do not result in derecognition, they were required to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR; and recognise any adjustment in profit or loss.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IAS 28, Investment in associates and joint ventures “Long-term interests in associates and joint ventures”

The IASB has clarified that IFRS 9 applies to long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The adoption has no material impact on the financial position and the financial result of the Group.

Annual Improvements to IFRS Standards 2015–2017 Cycle

The 2015–2017 cycle of annual improvements contain amendments to four standards including IFRS 3 *Business combinations*, IFRS 11 *Joint arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing costs*.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IAS 19, Employee Benefits “Plan Amendment, Curtailment or Settlement”

The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The adoption has no material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretations and amendments.

9.3 Notes to the Unaudited Interim Financial Report

(In RMB millions, unless otherwise stated)

9.3.1 NET INTEREST INCOME

	Six months ended 30 June	
	2019	2018
Interest income on:		
Loans and advances to customers:		
Corporate loans and advances	217,025	196,416
Personal loans	123,898	104,814
Discounted bills	6,153	7,295
Financial investments	107,102	96,174
Due from banks and other financial institutions	31,056	27,613
Due from central banks	22,923	24,495
	<u>508,157</u>	<u>456,807</u>
Interest expense on:		
Due to customers	(158,304)	(134,025)
Due to banks and other financial institutions	(32,161)	(31,520)
Debt securities issued	(18,391)	(13,646)
	<u>(208,856)</u>	<u>(179,191)</u>
Net interest income	<u>299,301</u>	<u>277,616</u>

9.3.2 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019	2018
Bank card business	22,480	21,939
Settlement, clearing business and cash management	20,544	16,478
Personal wealth management and private banking services	15,501	16,402
Investment banking business	15,037	13,489
Guarantee and commitment business	7,808	5,569
Corporate wealth management services	7,504	7,537
Asset custody business	3,986	3,844
Trust and agency services	1,010	1,094
Others	1,378	1,351
	<u>95,248</u>	<u>87,703</u>
Fee and commission income	95,248	87,703
Fee and commission expense	(6,747)	(8,443)
	<u>(6,747)</u>	<u>(8,443)</u>
Net fee and commission income	<u>88,501</u>	<u>79,260</u>

9.3.3 NET TRADING INCOME

	Six months ended 30 June	
	2019	2018
Debt securities	2,745	2,648
Equity investments	1,124	217
Derivatives and others	2,004	179
	<u>5,873</u>	<u>3,044</u>

9.3.4 NET (LOSS)/GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2019	2018
Dividend income from equity investments designated as at FVOCI:		
Held at the end of current period	348	142
(Loss)/gain on financial assets measured at FVTPL, net	(4,627)	1,343
Including:		
(Loss)/gain on financial assets and liabilities designated as at FVTPL	(10,636)	1,079
Gain on disposal of financial assets measured at FVOCI, net	830	367
Others	25	77
	<u>(3,424)</u>	<u>1,929</u>

Note: “FVTPL” stands for fair value through profit or loss.

“FVOCI” stands for fair value through other comprehensive income.

9.3.5 OTHER OPERATING INCOME/(EXPENSE), NET

	Six months ended 30 June	
	2019	2018
Net premium income	38,214	18,100
Operating cost of insurance business	(38,027)	(18,070)
Net gain on disposal of property and equipment, repossessed assets and others	795	1,264
Others	2,970	(1,841)
	<u>3,952</u>	<u>(547)</u>

9.3.6 OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
Staff costs:		
Salaries and bonuses	38,692	33,336
Staff benefits	10,370	10,403
Post-employment benefits — defined contribution plans	7,158	7,266
	<u>56,220</u>	<u>51,005</u>
Property and equipment expenses:		
Depreciation charge for property and equipment assets	6,574	6,661
Lease expenses in respect of land and buildings	3,876	3,940
Repairs and maintenance charges	994	1,032
Utility expenses	911	994
	<u>12,355</u>	<u>12,627</u>
Amortisation	1,188	1,124
Other administrative expenses	8,473	8,278
Taxes and surcharges	3,851	4,237
Others	5,067	4,687
	<u>87,154</u>	<u>81,958</u>

9.3.7 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2019	2018
Loans and advances to customers	91,896	77,552
Others	7,284	5,906
	<u>99,180</u>	<u>83,458</u>

9.3.8 INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended 30 June	
	2019	2018
Current income tax expense:		
Mainland China	38,589	36,786
Hong Kong and Macau	1,149	1,162
Overseas	2,011	1,754
	<u>41,749</u>	<u>39,702</u>
Deferred income tax expense	<u>(1,230)</u>	<u>(3,143)</u>
	<u>40,519</u>	<u>36,559</u>

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Six months ended 30 June	
	2019	2018
Profit before taxation	<u>209,209</u>	<u>197,216</u>
Tax at the PRC statutory income tax rate	52,302	49,304
Effects of different applicable rates of tax prevailing in other countries/regions	(818)	(555)
Effects of non-deductible expenses	5,916	1,240
Effects of non-taxable income	(16,717)	(13,237)
Effects of profits attributable to associates and joint ventures	(335)	(333)
Effects of others	<u>171</u>	<u>140</u>
Income tax expense	<u>40,519</u>	<u>36,559</u>

9.3.9 DIVIDENDS

	Six months ended 30 June	
	2019	2018
Dividends on ordinary shares declared and paid or proposed:		
Final dividend on ordinary shares for 2018:		
RMB0.2506 per share (2017: RMB0.2408 per share)	<u>89,315</u>	<u>85,823</u>

9.3.10 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	Six months ended 30 June	
	2019	2018
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	<u>167,931</u>	<u>160,442</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>356,407</u>	<u>356,407</u>
Basic and diluted earnings per share (RMB yuan)	<u>0.47</u>	<u>0.45</u>

Basic and diluted earnings per share was calculated as the profit for the period attributable to ordinary equity holders of the parent company divided by the weighted average number of ordinary shares in issue.

9.3.11 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between markets participants at measured date.

In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 30 June 2019, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB38,053 million (31 December 2018: RMB44,552 million) and RMB41,960 million (31 December 2018: RMB45,254 million) respectively, and the net derivative assets and net derivative liabilities were RMB23,920 million (31 December 2018: RMB25,906 million) and RMB27,827 million (31 December 2018: RMB26,608 million) respectively.

At the end of the reporting period, the Group had derivative financial instruments as follows:

30 June 2019							
Notional amounts with remaining life of					Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	3,556,924	2,121,609	134,329	121	5,812,983	28,809	(25,810)
Option contracts purchased	44,809	86,917	10,322	433	142,481	851	-
Option contracts written	52,961	101,846	2,370	-	157,177	-	(912)
	<u>3,654,694</u>	<u>2,310,372</u>	<u>147,021</u>	<u>554</u>	<u>6,112,641</u>	<u>29,660</u>	<u>(26,722)</u>
Interest rate contracts:							
Swap contracts	179,488	446,018	981,175	206,790	1,813,471	16,683	(18,451)
Forward contracts	26,795	44,587	3,744	83	75,209	4	(195)
Option contracts purchased	2,499	1,356	5,161	2,103	11,119	81	-
Option contracts written	-	-	178	873	1,051	-	(59)
	<u>208,782</u>	<u>491,961</u>	<u>990,258</u>	<u>209,849</u>	<u>1,900,850</u>	<u>16,768</u>	<u>(18,705)</u>
Commodity derivatives and others							
	<u>839,920</u>	<u>437,955</u>	<u>45,618</u>	<u>8,711</u>	<u>1,332,204</u>	<u>15,170</u>	<u>(33,126)</u>
	<u>4,703,396</u>	<u>3,240,288</u>	<u>1,182,897</u>	<u>219,114</u>	<u>9,345,695</u>	<u>61,598</u>	<u>(78,553)</u>
31 December 2018							
Notional amounts with remaining life of					Fair values		
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	2,893,412	2,542,823	101,765	21,756	5,559,756	41,230	(41,330)
Option contracts purchased	43,801	52,688	3,163	124	99,776	912	-
Option contracts written	48,820	60,266	1,474	-	110,560	-	(863)
	<u>2,986,033</u>	<u>2,655,777</u>	<u>106,402</u>	<u>21,880</u>	<u>5,770,092</u>	<u>42,142</u>	<u>(42,193)</u>
Interest rate contracts:							
Swap contracts	293,502	400,038	852,201	240,521	1,786,262	16,179	(16,277)
Forward contracts	71,076	42,965	29,431	321	143,793	2	(202)
Option contracts purchased	7,544	3,393	2,869	1,660	15,466	41	-
Option contracts written	5,998	2,391	1,768	1,141	11,298	-	(42)
	<u>378,120</u>	<u>448,787</u>	<u>886,269</u>	<u>243,643</u>	<u>1,956,819</u>	<u>16,222</u>	<u>(16,521)</u>
Commodity derivatives and others							
	<u>811,111</u>	<u>260,790</u>	<u>47,982</u>	<u>10,519</u>	<u>1,130,402</u>	<u>12,971</u>	<u>(14,859)</u>
	<u>4,175,264</u>	<u>3,365,354</u>	<u>1,040,653</u>	<u>276,042</u>	<u>8,857,313</u>	<u>71,335</u>	<u>(73,573)</u>

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below:

	30 June 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
		three months	one year	five years			
Interest rate swap contracts	343	–	26,403	1,893	28,639	58	(422)
Currency swap contracts	41,385	44,491	2,679	120	88,675	1,108	(379)
Equity derivatives	11	63	50	9	133	2	(16)
	<u>41,739</u>	<u>44,554</u>	<u>29,132</u>	<u>2,022</u>	<u>117,447</u>	<u>1,168</u>	<u>(817)</u>

	31 December 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
		three months	one year	five years			
Interest rate swap contracts	1,374	344	15,216	1,855	18,789	91	(30)
Currency swap contracts	21,142	58,117	1,541	824	81,624	692	(613)
Equity derivatives	51	–	43	–	94	16	(9)
	<u>22,567</u>	<u>58,461</u>	<u>16,800</u>	<u>2,679</u>	<u>100,507</u>	<u>799</u>	<u>(652)</u>

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

30 June 2019					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current period	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	17,719	(44,838)	(163)	(127)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued/ Certificates of deposit
Loans	5,225	-	(46)	(9)	Loans and advances to customers
Others	-	(31,036)	(457)	(4,324)	Due to customers/ Due to banks and other financial institutions/ Other liabilities
	<u>22,944</u>	<u>(75,874)</u>	<u>(666)</u>	<u>(4,460)</u>	

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current period (six months ended 30 June 2018: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities, respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in profit or loss during the period is presented as follows:

	Six months ended 30 June	
	2019	2018
(Loss)/gain arising from fair value hedges, net:		
— Hedging instruments	(1,331)	490
— Hedged items attributable to the hedged risk	<u>1,313</u>	<u>(449)</u>
	<u>(18)</u>	<u>41</u>

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

	30 June 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
		Three months	Over three months but within one year	Over one year but within five years			
Interest rate swap contracts	1,050	4,010	37,324	14,183	56,567	146	(1,191)
	<u>1,050</u>	<u>4,010</u>	<u>37,324</u>	<u>14,183</u>	<u>56,567</u>	<u>146</u>	<u>(1,191)</u>
	31 December 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
		Three months	Over three months but within one year	Over one year but within five years			
Interest rate swap contracts	1,713	5,366	30,670	12,074	49,823	709	(283)
	<u>1,713</u>	<u>5,366</u>	<u>30,670</u>	<u>12,074</u>	<u>49,823</u>	<u>709</u>	<u>(283)</u>

Details of the Group's hedged risk exposures in fair value hedges are set out below:

	30 June 2019				Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		
	Assets	Liabilities	Assets	Liabilities	
Bonds	27,048	(3,852)	1,017	(59)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	2,329	-	(56)	-	Loans and advances to customers
Others	13,731	(981)	(10)	(1)	Reverse repurchase agreements/ Due to banks and other financial institutions
	<u>43,108</u>	<u>(4,833)</u>	<u>951</u>	<u>(60)</u>	

Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

As at 30 June 2019, an accumulated net loss from the hedging instrument of RMB348 million was recognised in "Other comprehensive income" on net investment hedges (as at 31 December 2018 accumulated net loss: RMB333 million). As at 30 June 2019, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2018: Nil).

Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	30 June 2019	31 December 2018
Counterparty credit default risk-weighted assets	113,558	45,656
<i>Including: Non-netting settled credit default risk-weighted assets</i>	53,986	30,282
<i>Netting settled credit default risk-weighted assets</i>	59,572	15,374
Credit value adjustment risk-weighted assets	21,693	22,443
Central counterparties credit risk-weighted assets	4,362	3,639
	<u>139,613</u>	<u>71,738</u>

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional). The credit risk-weighted assets of the Group's derivative financial instruments include counterparty credit default risk-weighted assets, credit value adjustment risk-weighted assets and central counterparties credit risk-weighted assets.

9.3.12 FINANCIAL INVESTMENTS

	30 June 2019	31 December 2018
Financial investments measured at FVTPL	889,923	805,347
Financial investments measured at FVOCI	1,472,624	1,430,163
Financial investments measured at amortised cost	4,856,550	4,519,182
	<u>7,219,097</u>	<u>6,754,692</u>

9.3.13 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVOCI	976	411
Less: Income tax effect	(193)	(82)
	<u>783</u>	<u>329</u>
Other comprehensive income recognised under equity method	5	6
Others	0	(3)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVOCI	5,476	16,081
Less: Amount transferred to profit or loss from other comprehensive income	(286)	216
Income tax effect	(1,196)	(4,353)
	<u>3,994</u>	<u>11,944</u>
Credit losses of debt instruments measured at FVOCI	(41)	(1,434)
Reserve from cash flow hedging instruments		
Losses during the period	(665)	(54)
Less: Income tax effect	22	14
	<u>(643)</u>	<u>(40)</u>

	Six months ended 30 June	
	2019	2018
Other comprehensive income recognised under equity method	(356)	395
Foreign currency translation differences	1,011	(2,359)
Others	(9)	(230)
	<u>4,744</u>	<u>8,608</u>

9.3.14 **COMMITMENTS AND CONTINGENT LIABILITIES**

(a) *Capital commitments*

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

	30 June	31 December
	2019	2018
Authorised, but not contracted for	682	344
Contracted, but not provided for	38,006	33,042
	<u>38,688</u>	<u>33,386</u>

(b) *Operating lease commitments — Lessee*

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 31 December 2018
Within 1 year	6,546
After 1 year but within 5 years	12,806
After 5 years	<u>2,331</u>
	<u><u>21,683</u></u>

The group is the lessee in respect of a number of properties, electronic equipments, transport equipments and other office equipments held under leases which were previously classified as operating leases under IAS 17. The group has initially applied IFRS 16 using the modified retrospective approach as at 1 January 2019, and recognised the present value of outstanding lease payments as lease liabilities. From 1 January 2019 onwards, the present value of outstanding lease payments are recognised as lease liabilities in accordance with the requirement of IFRS16.

(c) *Credit commitments*

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	30 June 2019	31 December 2018
Bank acceptances	315,785	263,038
Guarantees issued		
— Financing letters of guarantees	97,431	104,146
— Non-financing letters of guarantees	374,781	405,155
Sight letters of credit	43,263	42,918
Usance letters of credit and other commitments	166,516	162,801
Loan commitments		
— With an original maturity of under one year	116,204	151,927
— With an original maturity of one year or over	927,047	1,061,666
Undrawn credit card limit	1,103,359	1,037,861
	<u>3,144,386</u>	<u>3,229,512</u>
	30 June 2019	31 December 2018
Credit risk-weighted assets of credit commitments(i)	<u>1,396,593</u>	<u>1,402,715</u>

- (i) Internal ratings-based approach was adopted to calculate the credit risk-weighted assets according to the scope approved by the former CBRC, and others were calculated by weighted approach.

(d) Legal proceedings

As at 30 June 2019, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,262 million (31 December 2018: RMB4,154 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2019, the Bank had underwritten and sold bonds with an accumulated amount of RMB87,562 million (31 December 2018: RMB85,845 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The Ministry of Finance of the People's Republic of China will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 30 June 2019, the unexpired securities underwriting obligations of the Group and the Bank amounted to RMB600 million (31 December 2018: RMB100 million).

9.3.15 SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

Others

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting this interim financial report of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Six months ended 30 June 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	143,537	44,885	110,879	–	299,301
Internal net interest income/(expense)	3,501	64,702	(68,203)	–	–
Net fee and commission income	53,408	34,514	579	–	88,501
Other income, net	3,224	127	976	2,074	6,401
Operating income	203,670	144,228	44,231	2,074	394,203
Operating expenses	(36,524)	(41,277)	(6,076)	(3,277)	(87,154)
Impairment losses on assets	(79,630)	(19,055)	(484)	(11)	(99,180)
Operating profit/(loss)	87,516	83,896	37,671	(1,214)	207,869
Share of profits of associates and joint ventures	–	–	–	1,340	1,340
Profit before taxation	87,516	83,896	37,671	126	209,209
Income tax expense					(40,519)
Profit for the period					<u>168,690</u>
Other segment information:					
Depreciation	4,486	3,540	1,093	101	9,220
Amortisation	589	396	187	16	1,188
Capital expenditure	10,201	7,967	2,530	232	20,930

	As at 30 June 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>10,134,690</u>	<u>6,137,984</u>	<u>13,528,250</u>	<u>189,552</u>	<u>29,990,476</u>
Including: Investments in associates and joint ventures	–	–	–	29,837	29,837
Property and equipment	115,854	97,457	30,854	41,263	285,428
Other non-current assets	42,429	13,956	6,241	15,284	77,910
Segment liabilities	<u>12,397,742</u>	<u>11,307,747</u>	<u>3,497,286</u>	<u>358,806</u>	<u>27,561,581</u>
Other segment information:					
Credit commitments	<u>2,064,930</u>	<u>1,079,456</u>	–	–	<u>3,144,386</u>

Six months ended 30 June 2018

	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	132,780	41,475	103,361	–	277,616
Internal net interest income/(expense)	863	61,637	(62,500)	–	–
Net fee and commission income	44,294	34,717	249	–	79,260
Other (expense)/income, net	(1,158)	2	2,641	2,941	4,426
Operating income	176,779	137,831	43,751	2,941	361,302
Operating expenses	(30,664)	(40,399)	(8,056)	(2,839)	(81,958)
Impairment losses on assets	(66,539)	(18,576)	1,705	(48)	(83,458)
Operating profit	79,576	78,856	37,400	54	195,886
Share of profits of associates and joint ventures	–	–	–	1,330	1,330
Profit before taxation	79,576	78,856	37,400	1,384	197,216
Income tax expense					(36,559)
Profit for the period					<u>160,657</u>
Other segment information:					
Depreciation	2,809	2,521	1,119	212	6,661
Amortisation	485	366	205	68	1,124
Capital expenditure	10,169	9,046	4,043	810	24,068

As at 31 December 2018

	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>9,706,611</u>	<u>5,711,799</u>	<u>12,095,016</u>	<u>186,114</u>	<u>27,699,540</u>
Including: Investments in associates and joint ventures	–	–	–	29,124	29,124
Property and equipment	107,201	95,256	42,370	45,577	290,404
Other non-current assets	20,760	6,982	4,241	15,863	47,846
Segment liabilities	<u>12,292,100</u>	<u>9,664,481</u>	<u>3,179,501</u>	<u>218,575</u>	<u>25,354,657</u>
Other segment information:					
Credit commitments	<u>2,222,156</u>	<u>1,007,356</u>	<u>–</u>	<u>–</u>	<u>3,229,512</u>

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh, Istanbul, Prague, Zurich, Manila and Vienna, etc.).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office (“HO”): the HO business division (including institutions directly managed by the HO and their offices);

Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;

Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and

Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

Six months ended 30 June 2019

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
External net interest income	121,746	32,147	31,146	14,437	31,135	42,004	8,685	18,001	-	299,301
Internal net interest (expense)/income	(84,588)	16,663	5,492	46,868	7,478	5,186	3,710	(809)	-	-
Net fee and commission income	13,306	19,804	14,408	12,921	9,452	11,644	2,494	5,881	(1,409)	88,501
Other income/(expense), net	5,426	(2,227)	(488)	(2,511)	(1,118)	(1,361)	(112)	7,427	1,365	6,401
Operating income	55,890	66,387	50,558	71,715	46,947	57,473	14,777	30,500	(44)	394,203
Operating expenses	(6,953)	(12,885)	(10,639)	(14,541)	(12,609)	(14,380)	(5,061)	(10,139)	53	(87,154)
Impairment losses on assets	(15,480)	(12,831)	(13,368)	(24,589)	(11,228)	(13,410)	(6,209)	(2,065)	-	(99,180)
Operating profit	33,457	40,671	26,551	32,585	23,110	29,683	3,507	18,296	9	207,869
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	1,340	-	1,340
Profit before taxation	33,457	40,671	26,551	32,585	23,110	29,683	3,507	19,636	9	209,209
Income tax expense										(40,519)
Profit for the period										<u>168,690</u>
Other segment information:										
Depreciation	902	1,303	1,019	1,503	1,456	1,650	651	736	-	9,220
Amortisation	400	120	100	110	135	163	37	123	-	1,188
Capital expenditure	1,017	1,669	1,073	2,487	957	1,489	482	11,756	-	20,930

As at 30 June 2019

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
Assets by geographical areas	11,359,666	5,174,426	3,252,602	3,749,475	2,725,511	3,470,400	1,049,732	3,895,410	(4,745,703)	29,931,519
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	29,837	-	29,837
Property and equipment	11,533	31,719	11,336	19,528	17,809	22,230	9,374	161,899	-	285,428
Other non-current assets	12,086	8,013	5,781	7,013	8,674	12,071	1,995	22,277	-	77,910
Unallocated assets										58,957
Total assets										<u>29,990,476</u>
Liabilities by geographical areas	8,895,440	5,798,475	2,714,057	6,236,876	2,821,507	3,372,634	1,197,202	1,213,437	(4,745,712)	27,503,916
Unallocated liabilities										57,665
Total liabilities										<u>27,561,581</u>
Other segment information:										
Credit commitments	1,213,463	698,442	412,244	595,865	248,406	441,310	96,646	709,719	(1,271,709)	3,144,386

Six months ended 30 June 2018

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	109,420	29,759	26,494	16,451	28,738	39,384	8,819	18,551	-	277,616
Internal net interest (expense)/income	(64,623)	12,690	6,614	37,018	5,690	2,728	2,656	(2,773)	-	-
Net fee and commission income	2,231	20,637	15,862	13,016	9,560	11,336	2,596	4,037	(15)	79,260
Other (expense)/income, net	(2,576)	399	(140)	(957)	242	737	(120)	6,846	(5)	4,426
Operating income	44,452	63,485	48,830	65,528	44,230	54,185	13,951	26,661	(20)	361,302
Operating expenses	(7,402)	(11,715)	(9,944)	(13,881)	(11,940)	(13,100)	(5,085)	(8,911)	20	(81,958)
Impairment losses on assets	(17,902)	(10,352)	(10,369)	(17,775)	(8,981)	(10,408)	(5,699)	(1,972)	-	(83,458)
Operating profit	19,148	41,418	28,517	33,872	23,309	30,677	3,167	15,778	-	195,886
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	1,330	-	1,330
Profit before taxation	19,148	41,418	28,517	33,872	23,309	30,677	3,167	17,108	-	197,216
Income tax expense										(36,559)
Profit for the period										<u>160,657</u>
Other segment information:										
Depreciation	863	895	619	1,002	1,171	1,351	557	203	-	6,661
Amortisation	364	116	97	91	136	164	41	115	-	1,124
Capital expenditure	<u>1,135</u>	<u>1,161</u>	<u>131</u>	<u>396</u>	<u>298</u>	<u>336</u>	<u>186</u>	<u>20,425</u>	-	<u>24,068</u>

As at 31 December 2018

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	9,803,222	5,860,977	3,700,969	4,085,516	2,758,294	3,530,531	1,120,364	3,695,699	(6,914,407)	27,641,165
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	29,124	-	29,124
Property and equipment	12,038	31,408	11,332	18,605	18,359	22,807	9,650	166,205	-	290,404
Other non-current assets	11,606	5,839	3,458	3,926	6,750	10,449	1,581	4,237	-	47,846
Unallocated assets										<u>58,375</u>
Total assets										<u>27,699,540</u>
Liabilities by geographical areas	7,532,137	6,166,615	3,719,458	6,639,630	2,733,284	3,378,285	1,134,009	879,687	(6,914,407)	25,268,698
Unallocated liabilities										<u>85,959</u>
Total liabilities										<u>25,354,657</u>
Other segment information:										
Credit commitments	<u>1,140,804</u>	<u>652,201</u>	<u>372,549</u>	<u>544,264</u>	<u>231,154</u>	<u>412,271</u>	<u>82,387</u>	<u>720,824</u>	<u>(926,942)</u>	<u>3,229,512</u>

10. Unaudited Supplementary Financial Information

10.1 Correspondence between Balance Sheet in Published Financial Statements and Capital Composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item	30 June 2019	31 December 2018	Reference
Core tier 1 capital:			
1 Paid-in capital	356,407	356,407	X18
2 Retained earnings	1,824,745	1,746,540	
2a Surplus reserve	262,152	261,636	X21
2b General reserve	279,223	278,980	X22
2c Retained profits	1,283,370	1,205,924	X23
3 Accumulated other comprehensive income (and other public reserves)	145,124	140,322	
3a Capital reserve	151,969	151,968	X19
3b Others	(6,845)	(11,646)	X24
4 Valid portion to core tier 1 capital during the transition period (only applicable to non- joint stock companies. Fill in 0 for joint stock banks)	–	–	
5 Valid portion of minority interests	3,875	3,752	X25
6 Core tier 1 capital before regulatory adjustments	2,330,151	2,247,021	
Core tier 1 capital: Regulatory adjustments			
7 Prudential valuation adjustments	–	–	
8 Goodwill (net of deferred tax liabilities)	8,876	8,820	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	2,229	1,927	X14–X15
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11 Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,396)	(3,739)	X20
12 Shortfall of provision for loan impairment	–	–	
13 Gain on sale related to asset securitisation	–	–	

Item	30 June 2019	31 December 2018	Reference
14	–	–	
15	–	–	
16	–	–	
17	–	–	
18	–	–	
19	–	–	
20	N/A	N/A	
21	–	–	
22	–	–	
23	–	–	
24	N/A	N/A	
25	–	–	
26a	7,980	7,980	X11

Item	30 June 2019	31 December 2018	Reference
26b	–	–	
Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			
26c	–	–	
Others that should be deducted from core tier 1 capital			
27	–	–	
Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital			
28	14,689	14,988	
Total regulatory adjustments to core tier 1 capital			
29	2,315,462	2,232,033	
Core tier 1 capital			
Additional tier 1 capital:			
30	79,375	79,375	
Additional tier 1 capital instruments and related premium			
31	79,375	79,375	X28
Including: Portion classified as equity			
32	–	–	
Including: Portion classified as liabilities			
33	–	–	
Invalid instruments to additional tier 1 capital after the transition period			
34	733	735	X26
Valid portion of minority interests			
35	–	–	
Including: Invalid portion to additional tier 1 capital after the transition period			
36	80,108	80,110	
Additional tier 1 capital before regulatory adjustments			
Additional tier 1 capital: Regulatory adjustments			
37	–	–	
Direct or indirect investments in own additional tier 1 instruments			
38	–	–	
Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions			
39	–	–	
Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			
40	–	–	
Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			
41a	–	–	
Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			

Item	30 June 2019	31 December 2018	Reference
41b	–	–	
Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			
41c	–	–	
Others that should be deducted from additional tier 1 capital			
42	–	–	
Undeducted shortfall that should be deducted from tier 2 capital			
43	–	–	
Total regulatory adjustments to additional tier 1 capital			
44	80,108	80,110	
Additional tier 1 capital			
45	2,395,570	2,312,143	
Tier 1 capital (core tier 1 capital + additional tier 1 capital)			
Tier 2 capital:			
46	292,478	202,761	X17
Tier 2 capital instruments and related premium			
47	60,855	81,140	
Invalid instruments to tier 2 capital after the transition period			
48	1,801	1,991	X27
Valid portion of minority interests			
49	620	856	
Including: Invalid portion to tier 2 capital after the transition period			
50	171,683	127,990	X02+X04
Valid portion of surplus provision for loan impairment			
51	465,962	332,742	
Tier 2 capital before regulatory adjustments			
Tier 2 capital: Regulatory adjustments			
52	–	–	
Direct or indirect investments in own tier 2 instruments			
53	–	–	
Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions			
54	–	–	
Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation			
55	–	–	X31
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation			
56a	–	–	
Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation			

Item	30 June 2019	31 December 2018	Reference
56b Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56c Others that should be deducted from tier 2 capital	–	–	
57 Total regulatory adjustments to tier 2 capital	–	–	
58 Tier 2 capital	465,962	332,742	
59 Total capital (tier 1 capital + tier 2 capital)	2,861,532	2,644,885	
60 Total risk-weighted assets	18,167,672	17,190,992	

Requirements for capital adequacy ratio and reserve capital

61 Core tier 1 capital adequacy ratio	12.74%	12.98%	
62 Tier 1 capital adequacy ratio	13.19%	13.45%	
63 Capital adequacy ratio	15.75%	15.39%	
64 Institution specific buffer requirement	4.0%	4.0%	
65 Including: Capital conservation buffer requirement	2.5%	2.5%	
66 Including: Countercyclical buffer requirement	–	–	
67 Including: G-SIB buffer requirement	1.5%	1.5%	
68 Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.74%	7.98%	

Domestic minima for regulatory capital

69 Core tier 1 capital adequacy ratio	5.0%	5.0%	
70 Tier 1 capital adequacy ratio	6.0%	6.0%	
71 Capital adequacy ratio	8.0%	8.0%	

Amounts below the thresholds for deduction

72 Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	72,656	64,004	X05+X07 +X08+X09 +X12+X29 +X30
73 Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	35,877	32,215	X06+X10 +X13
74 Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	57,180	57,073	

Item	30 June 2019	31 December 2018	Reference	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	20,315	19,049	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	9,004	7,766	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	440,521	393,682	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	162,679	120,224	X04
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	60,855	81,140	
85	Excluded from tier 2 capital for the current period due to cap	87,390	67,102	

(ii) Consolidated financial statements

	30 June 2019 Consolidated balance sheet as in published financial statements*	30 June 2019 Balance sheet under regulatory scope of consolidation*	31 December 2018 Consolidated balance sheet as in published financial statements*	31 December 2018 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,993,112	3,993,112	3,372,576	3,372,576
Due from banks and other financial institutions	351,117	337,933	384,646	374,509
Precious metals	245,149	245,149	181,292	181,292
Placements with banks and other financial institutions	603,892	603,892	577,803	577,803
Derivative financial assets	61,598	61,598	71,335	71,335
Reverse repurchase agreements	954,807	953,874	734,049	733,460
Loans and advances to customers	15,854,208	15,853,198	15,046,132	15,045,239
Financial investments	7,219,097	7,110,052	6,754,692	6,662,605
— Financial investments measured at FVTPL	889,923	850,608	805,347	772,191
— Financial investments measured at FVOCI	1,472,624	1,451,080	1,430,163	1,408,749
— Financial investments measured at amortised cost	4,856,550	4,808,364	4,519,182	4,481,665
Long-term equity investments	29,837	37,817	29,124	37,104
Fixed assets	245,369	245,306	253,525	253,460
Construction in progress	38,421	38,420	35,081	35,079
Deferred income tax assets	58,957	58,948	58,375	58,097
Other assets	334,912	319,577	200,910	186,769
Total assets	<u>29,990,476</u>	<u>29,858,876</u>	<u>27,699,540</u>	<u>27,589,328</u>

	30 June 2019 Consolidated balance sheet as in published financial statements*	30 June 2019 Balance sheet under regulatory scope of consolidation*	31 December 2018 Consolidated balance sheet as in published financial statements*	31 December 2018 Balance sheet under regulatory scope of consolidation*
Liabilities				
Due to central banks	1,232	1,232	481	481
Due to banks and other financial institutions	1,633,483	1,633,483	1,328,246	1,328,246
Placements from banks and other financial institutions	551,067	551,067	486,249	486,249
Financial liabilities measured at FVTPL	92,805	92,804	87,400	87,399
Derivative financial liabilities	78,553	78,553	73,573	73,573
Repurchase agreements	281,796	276,647	514,801	513,495
Certificates of deposit	361,971	361,971	341,354	341,354
Due to customers	23,125,437	23,132,577	21,408,934	21,410,976
Employee benefits payable	28,620	28,375	33,636	33,351
Taxes payable	68,718	68,663	95,678	95,318
Debt securities issued	775,410	775,410	617,842	617,842
Deferred income tax liabilities	1,936	1,767	1,217	1,024
Other liabilities	560,553	434,548	365,246	261,639
Total liabilities	<u>27,561,581</u>	<u>27,437,097</u>	<u>25,354,657</u>	<u>25,250,947</u>
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	86,051	86,051	86,051	86,051
Capital reserve	151,969	151,969	151,968	151,968
Other comprehensive income	(7,117)	(6,845)	(11,875)	(11,646)
Surplus reserve	262,236	262,152	261,720	261,636
General reserve	279,308	279,223	279,064	278,980
Retained profits	1,284,522	1,283,370	1,206,666	1,205,924
Equity attributable to equity holders of the parent company	2,413,376	2,412,327	2,330,001	2,329,320
Minority interests	15,519	9,452	14,882	9,061
Total equity	<u>2,428,895</u>	<u>2,421,779</u>	<u>2,344,883</u>	<u>2,338,381</u>

* Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	30 June 2019 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	15,853,198	
Total loans and advances to customers	16,314,034	
Less: Provision for loan impairment under the weighted approach	20,315	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	9,004	X02
Less: Provision for loan impairment under the internal ratings-based approach	440,521	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	162,679	X04
Financial investments		
Financial investments measured at FVTPL	850,608	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	55	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	4,001	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	2,927	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	61,482	X08
Financial investments measured at FVOCI	1,451,080	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	6,063	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,312	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29

Item	30 June 2019 Balance sheet under regulatory scope of consolidation	Reference
Financial investments measured at amortised cost	4,808,364	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	2,108	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	37,817	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	21	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,564	X13
Other assets	319,577	
Interest receivable	2,222	
Intangible assets	19,223	X14
Including: Land use rights	16,994	X15
Other receivables	176,672	
Goodwill	8,876	X16
Long-term deferred expenses	3,109	
Repossessed assets	9,265	
Others	100,210	
Debt securities issued	775,410	
Including: Valid portion of tier 2 capital instruments and their premium	292,478	X17
Share capital	356,407	X18
Other equity instruments	86,051	
Including: Preference shares	79,375	X28
Capital reserve	151,969	X19

Item	30 June 2019 Balance sheet under regulatory scope of consolidation	Reference
Other comprehensive income	(6,845)	X24
Reserve for changes in fair value of financial assets	20,574	
Reserve for cash flow hedging	(4,436)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,396)	X20
Changes in share of other owners' equity of associates and joint ventures	(1,286)	
Foreign currency translation reserve	(21,427)	
Others	(270)	
Surplus reserve	262,152	X21
General reserve	279,223	X22
Retained profits	1,283,370	X23
Minority interests	9,452	
Including: Valid portion to core tier 1 capital	3,875	X25
Including: Valid portion to additional tier 1 capital	733	X26
Including: Valid portion to tier 2 capital	1,801	X27

(iv) Main features of eligible capital instruments

As at 30 June 2019, the main features of the Bank's eligible capital instruments are set out as follows:

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4603	4604	84602	360011
Governing law(s) of the instrument	Securities Law of the People's Republic of China/ China	Securities and Futures Ordinance of Hong Kong/ Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital / China
Regulatory treatment						
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB339,126	RMB169,202	RMB equivalent 17,928	RMB equivalent 4,542	RMB11,958	RMB44,947
Par value of instrument (in millions)	RMB269,612	RMB86,795	USD2,940	EUR 600	RMB12,000	RMB45,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	10 December 2014	10 December 2014	18 November 2015
Perpetual or dated Including: Original maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares
Coupons/dividends Including: Fixed or floating dividend/ coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.5% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	Yes	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	The Bank	The Bank
Write-down feature	No	No	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Offshore Preference Shares, pari passu with the holders of Parity Obligations	Subordinated to all liabilities of the Bank and instruments issued or guaranteed by the Bank ranking senior to the Domestic Preference Shares, pari passu with the holders of Parity Obligations
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	Securities Law of the People's Republic of China/ China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Eligible to the parent company/ group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB19,999	RMB equivalent 13,623	RMB44,000	RMB44,000
Par value of instrument (in millions)	RMB20,000	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	4 August 2014	21 September 2015	6 November 2017	20 November 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	5 August 2024	21 September 2025	8 November 2027	22 November 2027
Issuer call (subject to prior supervisory approval)	Yes	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	5 August 2019, in full amount	N/A	8 November 2022, in full amount	22 November 2022, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	5.80%	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of the Bank	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1928006	1928007	1928011	1928012
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Par value of instrument (in millions)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 March 2019	21 March 2019	24 April 2019	24 April 2019
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	25 March 2029	25 March 2034	26 April 2029	26 April 2034
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	25 March 2024, in full amount	25 March 2029, in full amount	26 April 2024, in full amount	26 April 2029, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.26%	4.51%	4.40%	4.69%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

10.2 Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	30 June 2019	31 December 2018
1	Total consolidated assets as per published financial statements	29,990,476	27,699,540
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(131,600)	(110,212)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	55,389	68,114
5	Adjustment for securities financing transactions	23,466	35,125
6	Adjustment for off-balance sheet items	2,170,307	2,002,299
7	Other adjustments	(14,689)	(14,988)
8	Balance of adjusted on- and off-balance sheet assets	32,093,349	29,679,878

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	30 June 2019	31 December 2018
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	29,153,903	27,120,956
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(14,689)	(14,988)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	29,139,214	27,105,968
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	68,092	76,179
5	Add-on amounts for PFE associated with all derivatives transactions	66,728	63,890
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(29,835)	(20,180)
9	Effective notional amount of written credit derivatives	19,890	44,968
10	Less: Adjusted effective notional deductions for written credit derivatives	(1,394)	(25,408)
11	Total derivative exposures	123,481	139,449
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	636,881	397,037
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	23,466	35,125
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	660,347	432,162
17	Off-balance sheet exposure at gross notional amount	4,814,686	4,400,110
18	Less: Adjustments for conversion to credit equivalent amounts	(2,644,379)	(2,397,811)
19	Balance of adjusted off-balance sheet assets	2,170,307	2,002,299
20	Net tier 1 capital	2,395,570	2,312,143
21	Balance of adjusted on- and off-balance sheet assets	32,093,349	29,679,878
22	Leverage ratio	7.46%	7.79%

10.3 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Second-quarter 2019	
		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		5,193,423
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	10,794,640	1,075,923
3	Stable deposits	54,933	1,952
4	Less stable deposits	10,739,707	1,073,971
5	Unsecured wholesale funding, of which:	12,360,763	4,084,375
6	Operational deposits (excluding those generated from correspondent banking activities)	7,105,119	1,723,354
7	Non-operational deposits (all counterparties)	5,181,374	2,286,751
8	Unsecured debt	74,270	74,270
9	Secured funding		20,332
10	Additional requirements, of which:	3,456,105	1,132,112
11	Outflows related to derivative exposures and other collateral requirements	929,953	929,953
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	2,526,152	202,159
14	Other contractual funding obligations	58,393	57,957
15	Other contingent funding obligations	3,312,424	112,840
16	Total cash outflows		6,483,539
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	968,049	503,878
18	Inflows from fully performing exposures	1,449,045	1,048,408
19	Other cash inflows	943,952	937,769
20	Total cash inflows	3,361,046	2,490,055
		Total adjusted value	
21	Total HQLA		5,193,423
22	Total net cash outflows		3,993,484
23	Liquidity coverage ratio (%)		130.01%

Data of the above table are all the simple arithmetic means of the 91 natural days' figures of the recent quarter.

10.4 Quantitative Information Disclosure of Net Stable Funding Ratio (NSFR) Using Advanced Approaches

		30 June 2019				
		Unweighted value by residual maturity				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	2,589,178	–	–	293,502	2,882,680
2	Regulatory capital	2,589,178	–	–	292,478	2,881,656
3	Other capital instruments	–	–	–	1,024	1,024
4	Retail deposits and deposits from small business customers:	5,744,680	5,379,986	42,676	7,156	10,061,736
5	Stable deposits	31,528	33,555	14,362	5,050	80,523
6	Less stable deposits	5,713,152	5,346,431	28,314	2,106	9,981,213
7	Wholesale funding:	7,797,701	5,816,354	312,620	295,475	6,859,365
8	Operational deposits	7,554,372	234,835	24,051	4,158	3,910,787
9	Other wholesale funding	243,329	5,581,519	288,569	291,317	2,948,578
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	592	897,918	30,839	584,362	524,839
12	NSFR derivative liabilities	–	–	–	75,535	–
13	All other liabilities and equities not included in the above categories	592	897,918	30,839	508,827	524,839
14	Total ASF					20,328,620
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					681,211
16	Deposits held at other financial institutions for operational purposes	135,164	–	7,219	1,170	72,362
17	Loans and securities:	3,759	3,566,088	2,319,965	13,121,591	13,554,680
18	Loans to financial institutions secured by Level 1 HQLA	–	411,017	–	–	61,234
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,077,562	269,854	200,093	497,325
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,835,825	1,942,706	7,419,504	8,144,425

30 June 2019

Unweighted value by residual maturity

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	306,543	316,165	236,266	462,090
22	Residential mortgages, of which:	–	1,407	2,665	4,889,697	4,153,815
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	638	643	26,226	18,467
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,759	240,277	104,740	612,297	697,881
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	375,471	447,344	11,238	560,844	1,302,732
27	Physical traded commodities, including gold	36,379				30,922
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				6,592	5,603
29	NSFR derivative assets				64,901	–
30	NSFR derivative liabilities with additional variation margin posted				84,678*	16,936
31	All other assets not included in the above categories	339,092	447,344	11,238	489,351	1,249,271
32	Off-balance sheet items				5,680,655	226,281
33	Total RSF					15,837,266
34	Net Stable Funding Ratio (%)					128.36%

* The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”.

No. Item	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year		
Available stable funding (ASF) item						
1	Capital:	2,570,202	–	–	241,537	2,811,739
2	Regulatory capital	2,570,202	–	–	237,176	2,807,378
3	Other capital instruments	–	–	–	4,361	4,361
4	Retail deposits and deposits from small business customers:	5,735,628	5,319,418	30,430	8,649	9,989,118
5	Stable deposits	28,848	30,741	11,218	6,261	73,528
6	Less stable deposits	5,706,780	5,288,677	19,212	2,388	9,915,590
7	Wholesale funding:	7,326,368	5,722,282	274,039	270,903	6,470,630
8	Operational deposits	7,050,720	240,111	22,350	6,305	3,662,896
9	Other wholesale funding	275,648	5,482,171	251,689	264,598	2,807,734
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	193	859,523	51,662	574,239	524,317
12	NSFR derivative liabilities				75,947	
13	All other liabilities and equities not included in the above categories	193	859,523	51,662	498,292	524,317
14	Total ASF					19,795,804
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					636,243
16	Deposits held at other financial institutions for operational purposes	113,978	–	18,137	–	66,057
17	Loans and securities:	5,072	3,527,368	2,289,896	12,861,786	13,283,535
18	Loans to financial institutions secured by Level 1 HQLA	–	439,175	–	–	65,299
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,086,558	249,814	168,891	456,799
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,804,978	1,919,537	7,315,366	8,031,978

31 March 2019

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	288,201	324,049	230,447	454,347
22	Residential mortgages, of which:	–	1,441	2,749	4,734,198	4,021,461
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	657	669	27,332	19,191
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5,072	195,216	117,796	643,331	707,998
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	366,034	441,035	11,984	667,338	1,356,264
27	Physical traded commodities, including gold	33,867				28,787
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				6,576	5,590
29	NSFR derivative assets				80,015	4,068
30	NSFR derivative liabilities with additional variation margin posted				81,546*	16,309
31	All other assets not included in the above categories	332,167	441,035	11,984	580,747	1,301,510
32	Off-balance sheet items				5,626,760	232,357
33	Total RSF					15,574,456
34	Net Stable Funding Ratio (%)					127.10%

* The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”.

No. Item	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year		
Available stable funding (ASF) item						
1	Capital:	2,460,309	–	–	207,563	2,667,872
2	Regulatory capital	2,460,309	–	–	202,761	2,663,070
3	Other capital instruments	–	–	–	4,802	4,802
4	Retail deposits and deposits from small business customers:	5,402,695	4,939,764	23,324	8,214	9,340,804
5	Stable deposits	28,773	30,958	7,989	5,549	69,882
6	Less stable deposits	5,373,922	4,908,806	15,335	2,665	9,270,922
7	Wholesale funding:	6,771,430	5,781,778	282,914	281,016	6,195,760
8	Operational deposits	6,530,611	256,548	18,303	6,114	3,408,845
9	Other wholesale funding	240,819	5,525,230	264,611	274,902	2,786,915
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	1,135	838,158	93,739	467,916	443,059
12	NSFR derivative liabilities	–	–	–	72,861	–
13	All other liabilities and equities not included in the above categories	1,135	838,158	93,739	395,055	443,059
14	Total ASF					18,647,495
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					614,736
16	Deposits held at other financial institutions for operational purposes	163,302	–	23,516	–	93,414
17	Loans and securities:	5,482	3,573,860	1,952,169	12,346,796	12,751,165
18	Loans to financial institutions secured by Level 1 HQLA	–	163,807	35	852	24,942
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,212,782	208,536	166,396	452,809
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,072,474	1,652,787	6,970,700	7,736,945

31 December 2018

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	321,040	288,861	222,741	447,158
22	Residential mortgages, of which:	–	1,428	2,759	4,572,735	3,884,809
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	709	717	29,395	21,587
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5,482	123,369	88,052	636,113	651,660
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	360,125	312,684	14,260	494,160	1,068,032
27	Physical traded commodities, including gold	43,014				36,561
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				5,793	4,924
29	NSFR derivative assets				75,131	2,270
30	NSFR derivative liabilities with additional variation margin posted				79,823*	15,965
31	All other assets not included in the above categories	317,111	312,684	14,260	413,236	1,008,312
32	Off-balance sheet items				5,836,015	199,293
33	Total RSF					14,726,640
34	Net Stable Funding Ratio (%)					126.62%

* The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”.

11. Issue of Results Announcement and Interim Report

This Announcement will be released on the “HKEXnews” website of HKEX (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) simultaneously. The 2019 Interim Report prepared in accordance with IFRSs will be released on the “HKEXnews” website of HKEX (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) and will be dispatched to the shareholders of H shares of the Bank in due time. The 2019 Interim Report and its abstract prepared in accordance with PRC GAAP will be released simultaneously on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc-ltd.com).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

By Order of
The Board of Directors of
Industrial and Commercial Bank of China Limited

29 August 2019

As at the date of this announcement, the Board of Directors comprises Mr. CHEN Siqing, Mr. GU Shu, Mr. HU Hao and Mr. TAN Jiong as executive directors, Mr. ZHENG Fuqing, Ms. MEI Yingchun, Mr. DONG Shi, Mr. YE Donghai and Mr. LU Yongzhen as non-executive directors, Mr. Anthony Francis NEOH, Mr. YANG Siu Shun, Ms. Sheila Colleen BAIR, Mr. SHEN Si, Mr. Nout WELLINK and Mr. Fred Zulu HU as independent non-executive directors.