中信银行
CHINA CITIC BANK

以信致远 融智无限

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

Stock Code: 0998

Strive to Be the Company Offering the
Best Comprehensive Financial Services

2019
Interim Report

Important Notice

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

The meeting of the Board of Directors held on 27 August 2019 adopted the Bank's 2019 Interim Report (its full text and summary). All of the nine eligible directors attended the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

The Bank neither distributed any profit nor converted capital reserve into share capital in the first half of 2019.

The 2019 Interim Financial Reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the auditing standards of mainland China and Hong Kong SAR respectively.

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

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

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

For the purpose of the Report, numbers are expressed in Renminbi (RMB) unless otherwise specially stated. The Report is compiled both in Chinese and English.

Should there be any discrepancy between Chinese and English versions, the Chinese version shall prevail.

Contents

Mission and Vision

Vision

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

Mission

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

Core values

Customer orientation, integrity, innovation, coordination and excellence

Brand motto

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

Performance Overview

Operating performance:

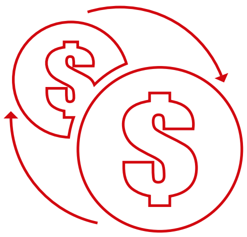
Operating income
93.192 billion RMB

Net profit
28.307 billion RMB

Net interest income
57.162 billion RMB

Net profit growth year on year
10.05%

Profitability:



ROAA
0.93%

Cost-to-income ratio
25.51%

ROAE
13.86%

Net interest margin
1.96%

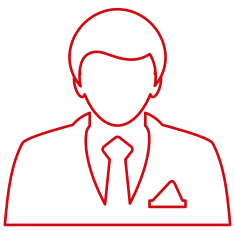
Asset quality:

NPL ratio
1.72%

Allowance coverage ratio
165.17%

The ratio of allowance for impairment of loans to total loans
2.85%

Customer base:



Corporate customers
680,500

Mobile banking customers
41.16 million

Retail banking customers
95.05 million

Credit cards issued
74.40 million

Definitions

the reporting period	From 1 January 2019 to 30 June 2019
the Group	China CITIC Bank Corporation Limited and its subsidiaries
the Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
Poly Group	China Poly Group Corporation Limited
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on of The Stock Exchange of Hong Kong Limited
Xinhu Zhongbao	Xinhu Zhongbao Co., Ltd.
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly known as China Investment and Finance Limited)
former CBRC	former China Banking Regulatory Commission
China Tobacco	China Tobacco Corporation
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CITIC aiBank	CITIC aiBank Corporation Limited
CITIC Limited	CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014)
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Group	CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011)
CITIC Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014)

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

Chapter 1 Corporate Introduction

1.1 Corporate Information

Registered Name in Chinese	中信銀行股份有限公司 (abbreviated as "中信銀行")
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative	Li Qingping
Authorized Representatives	Fang Heying, Zhang Qing
Secretary to the Board of Directors	Zhang Qing
Joint Company Secretaries	Zhang Qing, Kam Mei Ha Wendy (FCS, FCIS)
Securities Representative of the Company	Wang Junwei
Registered Address	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code of the Registered Address	100010
Office Address	No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Office Postal Code	100010
Official Website	www.citicbank.com
Telephone Number/Fax Number for Investors	+86-10-85230010/+86-10-85230079
Email Address for Investors	ir@citicbank.com
Principal Place of Business in Hong Kong	Level 54 Hopewell Center, 183 Queen's Road East, Hong Kong
Selected media for Information Disclosure	*China Securities Journal, Shanghai Securities News, Securities Times*
Websites for Information Disclosure	Website designated by the CSRC to publish A-share interim report: www.sse.com.cn Website designated by the SEHK to publish H-share interim report: www.hkexnews.hk
Place Where Interim Reports are Kept	Office of the Board of Directors of CITIC Bank, No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Legal adviser as to PRC Laws	East & Concord Partners
Legal adviser as to Hong Kong Laws	Clifford Chance LLP
Domestic Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, No.2 Corporate Avenue, No. 202 Hubin Road, Huangpu District, Shanghai (Postal code: 200021)
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
A-share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch 3rd Floor, China Insurance Building, No. 166 East Lujiazui Road, Pudong New Area, Shanghai
H-share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Listing Venue, Stock Name and Stock Code	A-share: Ordinary shares — Shanghai Stock Exchange — CNCB — 601998 Preference shares — Shanghai Stock Exchange — CITIC Excellent 1 — 360025 Convertible corporate bonds — Shanghai Stock Exchange — CITIC Convertible Bonds — 113021 H-share: Ordinary shares — Stock Exchange of Hong Kong Limited — CITIC Bank — 0998

1.2 Contact Persons and Contact Details

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

1.3 Basic Information and Main Business of the Company

China CITIC Bank Corporation Limited ("CNCB" or "the Bank") was founded in 1987. It is one of the earliest emerging commercial banks established during China's reform and opening-up and also China's first commercial bank participating in financing at both domestic and international financial markets. After more than three decades' development, the Bank has set up a network of affiliates covering major large and medium-sized cities in mainland China, and established operations in London, Sydney, Hong Kong SAR, Macau SAR, New York, Los Angeles, Singapore, etc. In April 2007, it simultaneously listed its A and H shares at the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.

The Bank aspires to become the "enterprise offering the best comprehensive financial services". With a full range of financial products and high-quality customer service, it enjoys a high reputation and extensive influence at both domestic and overseas markets. The Bank fully leverages on the unique competitive advantages of CITIC Group in placing financial and non-financial businesses on an equal footing, spares no effort to forge itself into a comprehensive service platform, and meanwhile holds firm to its "customer orientation" and adheres to the business concept of "safe CITIC Bank, compliant operation, science and technology for growth, serving the real economy, market orientation and value creation". For corporate customers and institutional customers, it offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, factoring business and custody business. For individual customers, it provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts. For details please refer to Chapter 3 "Management Discussion and Analysis" of the Report.

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

The Group's main assets include loans and advances to customers, deposits and placements with, and loans to banks and non-bank financial institutions, financial assets held under resale agreements, financial asset investments, cash and deposits with central banks. As at the end of the reporting period, these aforementioned assets took up 97.0% of the Group's total assets, representing a decrease of 0.9 percentage point over the end of the previous year. Please refer to Chapter 3 "Management Discussion and Analysis — Analysis of the Financial Statements" of the Report for information on changes in the Group's main assets.

1.5 Core Competitiveness Analysis

The Bank insisted upon coordinated development of profit, quality and scale, and continuously enhanced its core competitiveness, in a bid to become the enterprise offering the best comprehensive financial services with distinctive business characteristics, outstanding profitability, robust asset quality and leading status in key regions.

The Bank has always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms. The result was the formation of an organizational structure characterized by efficient management and professional division of duties. With reference to the theory and practice of modern banking development, the Bank set up a corporate governance framework comprising the general meeting of shareholders, the Board of Directors, the Board of Supervisors, and the senior management. According to the principle of separating the front, middle and back offices, it established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays. As a result, the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management operated compliantly and performed duties efficiently. Embracing its traditional advantages and DNAs, the Bank developed a business structure with corporate banking as the main body and retail banking and financial markets businesses as the two wings, which turned out to be a "Troika", so as to make its corporate banking business "light yet strong", its retail banking business "large and strong", and its financial markets business "vigorous and strong". The Bank put forward its "differentiated and echelon-based" regional positioning and development strategy, and divided the tier-one branches into three categories, adopting varying measures in terms of resource allocation, required rate of return, and other aspects. The Bank kept refining its comprehensive risk management system, streamlined its process for corporate loan business, enhanced its efforts to perform duties relating to the "Three Defense Lines", and struck a balance between risk control and service efficiency. At the same time, it actively explored the application of intelligent technologies to risk control, and promoted in-depth application of big data, artificial intelligence (AI) and measurement models. Besides, efforts were made to dispose of existing and potentially problematic assets and related risks, bring problematic assets under more active management, consolidate the quality of credit assets on all fronts, and put various risks under constantly improved management. The Bank paid great attention to the innovation and application of financial technology (FinTech). Guided by the notion of science and technology for innovation and growth, the Bank made enthusiastic exploration of and constant innovation in internet finance, digitization and smart transformation. For details, please refer to Chapter 3 "Management Discussion and Analysis" of the Report.

During the reporting period, the Bank continued to improve its brand influence, and guided its brand strategy with the motto of "Building trust for long-term growth, incorporating smart services for boundless financing". It ranked the 19th in the "Top 500 Banking Brands" issued by the British magazine *The Banker* in 2019, with its brand valued at USD12,856 million. In May 2019, the *Forbes* magazine ranked the Bank the 93rd on its list of "Global 2000".

Chapter 2 Financial Highlights

2.1 Operating Performance

Unit: RMB million

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Growth rate (%)	Six months ended 30 June 2017
Operating income	**93,192**	81,380	14.51	76,709
Profit before tax	**34,442**	32,442	6.16	31,116
Net profit attributable to the equity holders of the Bank	**28,307**	25,721	10.05	24,011
Net cash flow from/(used in) operating activities	**8,547**	12,400	(31.07)	(87,514)
Per share				
Basic earnings per share (RMB)	**0.58**	0.53	9.43	0.49
Diluted earnings per share (RMB)	**0.55**	0.53	3.77	0.49
Net cash flow from/(used in) operating activities per share (RMB)	**0.17**	0.25	(32.00)	(1.79)

2.2 Profitability Indicators

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Increase/ (decrease) in percentage point	Six months ended 30 June 2017
Return on average assets (ROAA)(1)	**0.93%**	0.92%	0.01	0.84%
Return on average equity (ROAE, excluding non-controlling interest)(2)	**13.86%**	14.12%	(0.26)	13.90%
Cost-to-income ratio (excluding tax and surcharges)(3)	**25.51%**	26.65%	(1.14)	26.52%
Credit cost(4)	**1.81%**	1.44%	0.37	1.46%
Net interest spread(5)	**1.87%**	1.80%	0.07	1.62%
Net interest margin(6)	**1.96%**	1.89%	0.07	1.77%

Notes: (1) Calculated as annual profit divided by the average of the balances of total assets at the beginning and end of the period.

(2) Calculated as net profit attributable to the ordinary shareholders of the Bank divided by the average of total equity attributable to the Bank's ordinary shareholders at the beginning and end of the period.

(3) Calculated as operating expense less tax and surcharges divided by operating income.

(4) Calculated as current-year accruals of allowance for impairment losses on loans and advances to customers divided by average balance of loans and advances to customers.

(5) Calculated as average yield rate of total interest-earning assets minus average cost rate of interest-bearing liabilities.

(6) Calculated as net interest income divided by average balance of interest-earning assets.

2.3 Scale Indicators

Unit: RMB million

Item	30 June 2019	31 December 2018	Growth rate (%)	31 December 2017
Total assets	**6,398,803**	6,066,714	5.47	5,677,691
Total loans and advances to customers[1]	**3,835,876**	3,608,412	6.30	3,196,887
— Corporate loans	**1,939,896**	1,881,125	3.12	1,857,847
— Discounted bills	**248,312**	242,797	2.27	107,456
— Personal loans	**1,647,668**	1,484,490	10.99	1,231,584
Total liabilities	**5,926,845**	5,613,628	5.58	5,265,258
Total deposits from customers[1]	**4,001,379**	3,616,423	10.64	3,407,636
— Corporate demand deposits[2]	**1,655,378**	1,521,684	8.79	1,651,180
— Corporate time deposits	**1,507,155**	1,382,230	9.04	1,223,018
— Personal demand deposits	**286,718**	262,960	9.03	234,961
— Personal time deposits	**552,128**	449,549	22.82	298,477
Deposits from banks and non-bank financial institutions	**846,035**	782,264	8.15	798,007
Placements from banks and non-bank financial institutions	**59,717**	115,358	(48.23)	77,595
Total equity attributable to the equity holders of the Bank	**457,005**	436,661	4.66	399,638
Net asset per share attributable to the equity holders of the Bank (RMB)	**9.34**	8.92	4.71	8.17
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**8.62**	8.21	4.99	7.45

Notes: (1) As per the Notice on Amending and Issuing the Formats of Financial Statements for Financial Enterprises for 2018 (Finance and Accounting [2018] No. 36) issued by the Ministry of Finance, the interest of a financial instrument accrued according to the effective interest method should be included in the book balance of the corresponding financial instrument and reflected in relevant items of the balance sheet, instead of being separately posted under "interest receivables" or "interest payables". To facilitate the analysis, "total loans and advances to customers" does not include interest receivables of relevant loans and "total deposits from customers" does not include interest payables of relevant deposits.

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

2.4 Operating Quality Indicator

Item	30 June 2019 Regulatory value[4]	30 June 2019 Actual value	31 December 2018 Regulatory value	31 December 2018 Actual value	Increase/(decrease) in percentage point Actual value	31 December 2017 Regulatory value	31 December 2017 Actual value
Non-performing loans ("NPLs") ratio[1]	**–**	**1.72%**	–	1.77%	(0.05)	–	1.68%
Allowance coverage ratio[2]	**≥140%**	**165.17%**	≥140%	157.98%	7.19	≥150%	169.44%
The ratio of allowance for impairment of loans to total loans[3]	**≥2.1%**	**2.85%**	≥2.1%	2.80%	0.05	≥2.5%	2.84%

Notes: (1) Calculated as balance of NPLs divided by total loans and advances to customers.

(2) Calculated as balance of allowance for impairment of loans and advances to customers (excluding allowance for impairment of accrued interest) divided by balance of NPLs.

(3) Calculated as balance of allowance for impairment of loans and advances to customers (excluding allowance for impairment of accrued interest) divided by total loans and advances to customers.

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

2.5 Other Main Regulatory Indicators

Item(1)	Regulatory value	30 June 2019	31 December 2018	Increase/ (decrease) in percentage point	31 December 2017
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.58%**	8.62%	(0.04)	8.49%
Tier-one capital adequacy ratio	≥8.50%	**9.35%**	9.43%	(0.08)	9.34%
Capital adequacy ratio	≥10.50%	**12.27%**	12.47%	(0.20)	11.65%
Leverage profile					
Leverage ratio	≥4%	**6.19%**	6.37%	(0.18)	6.18%
Liquidity risk profile					
Liquidity coverage ratio(2)	≥100%	**132.23%**	114.33%	17.90	97.98%
Liquidity ratio					
Including: Renminbi	≥25%	**55.19%**	50.80%	4.39	45.29%
Foreign currencies	≥25%	**51.65%**	59.85%	(8.20)	84.11%

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

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

2.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the net assets on 30 June 2019 as well as the net profit of the Group for the reporting period calculated according to the PRC Accounting Standards and those calculated as per the International Financial Reporting Standards (IFRS).

Chapter 3 Report of the Board of Directors

3.1 Economic, Financial and Regulatory Environments

In the first half of 2019, the global economic recovery slowed down somewhat. Major economies grew slower; international trade and investment delivered a weak performance; and financial markets worldwide became more fragile. Factors such as trade frictions, mounting debts, and geopolitical conflicts have brought greater uncertainty to the development of world economy, which contributed to the easing of the global monetary policy.

The Chinese economy still grew within a reasonable range, and continued its trend of making progress amid overall stability exemplified by the steady production demand, stable employment and prices of commodities, and improved corporate profitability. In the first half of 2019, China's GDP grew by 6.3% year on year. The added value of industrial enterprises above the designated size increased by 6.0%, consumer price index (CPI) rose by 2.2%, and producer price index (PPI) went up by 0.3% on a year-on-year basis. Besides, the surveyed unemployment rate nationwide stayed around 5%, and the profit decline of industrial enterprises above the designated size narrowed down. However, external instabilities and uncertainties are mounting, and uneven and inadequate development at home remains stark. In this sense, to stabilize growth, promote reform, and prevent risks properly as a whole is still an arduous task.

Against such a backdrop, the financial regulatory authorities of China acted on the spirit set out by the 19th CPC National Congress and the Central Economic Work Conference. In practice, they proposed and refined innovative macro-control initiatives, implemented the policy of "Six Stabilities", and stepped up efforts to forestall financial risks steadily, with a view to support the Chinese economy to develop with high quality. The central bank of China implemented prudent monetary policy, improved the "dual-pillar" regulatory framework, pushed forward reforms in key areas such as interest rates, further straightened out the monetary policy transmission channels, and maintained a reasonable abundance of liquidity. The CBIRC maintained the momentum of stringent regulation. It successively promulgated a series of documents, including *the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks*, and *the Notice on the Launch of Campaigns to "Consolidate the Results of Chaos Rectification Efforts and Promote Compliance*". With these documents, the authority raised more demanding requirements for commercial banks in terms of liquidity management, and compliance and internal control management as well as other aspects. Guided by various policies, the Chinese financial sector saw the positive changes starting to occur to its structure, as the size of currency, credit and social financing expanded within a reasonable range. As at the end of June 2019, the balance of broad money (M2), the balance of Renminbi loans and the stock of social financing stood at RMB192.14 trillion, RMB145.97 trillion, and RMB213.26 trillion, growing by 8.5%, 13% and 10.9% year on year, respectively.

3.2 Overview of Operating Results

The reporting period witnessed grim and complex economic and financial situations at home and abroad. In response, the Group, guided by its 2018-2020 development plan, resolutely put in place the work arrangements of "returning to the basics of financial services, reinforcing compliance and promoting transformation" and made steady progress in all businesses.

Business development exhibited a sound momentum of growth amid stability. During the reporting period, the Group realized RMB28.307 billion net profit attributable to the shareholders of the Bank, a growth of 10.05% year on year; RMB93.192 billion operating income, an increase of 14.51% year on year, of which net interest income and net non-interest income were RMB57.162 billion and RMB36.030 billion, an increase of 14.76% and 14.12% year on year, respectively.

Asset quality was overall controllable. As of the end of the reporting period, the Group's balance of non-performing loans (NPLs) recorded RMB66.161 billion, an increase of RMB2.133 billion or 3.33% over the end of the previous year, corresponding to an NPL ratio of 1.72%, a drop of 0.05 percentage point from the end of the previous year. The ratio of loans overdue for 90 days and more to NPLs was 88.77%, a decrease of 3.64 percentage points from the end of the previous year. The Group's allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 165.17% and 2.85%, a rise of 7.19 percentage points and 0.05 percentage points over the end of the previous year, respectively.

Business scale grew steadily. As of the end of the reporting period, the Group's recorded the total assets of RMB6,398.803 billion, an increase of 5.47% over the end of the previous year; its total loans and advances to customers (excluding accrued interest) stood at RMB3,835.876 billion, a growth of 6.30% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB4,001.379 billion, marking a 10.64% increase from the end of last year.

3.3 Financial Statements Analysis

3.3.1 Income Statement Analysis

During the reporting period, the Group realized RMB28.307 billion net profit attributable to the equity holders of the Bank, up by 10.05% year on year. The table below sets out the changes in the main items of the Group's income statement during the reporting period.

Unit: RMB million

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Increase/(decrease)	Growth rate (%)
Operating income	**93,192**	81,380	11,812	14.51
— Net interest income	**57,162**	49,808	7,354	14.76
— Net non-interest income	**36,030**	31,572	4,458	14.12
Operating expenses	**(24,673)**	(22,563)	(2,110)	9.35
Credit and other asset impairment losses	**(34,190)**	(26,161)	(8,029)	30.69
Profit before tax	**34,442**	32,442	2,000	6.16
Income tax	**(5,605)**	(6,267)	662	(10.56)
Profit for the period	**28,837**	26,175	2,662	10.17
Including: Net profit attributable to the equity holders of the Bank	**28,307**	25,721	2,586	10.05

3.3.1.1 Operating Income

During the reporting period, the operating income of the Group amounted to RMB93.192 billion, a year-on-year increase of 14.51%. Specifically, net interest income accounted for 61.3%, up by 0.1 percentage point year on year; net non-interest income accounted for 38.7%, down by 0.1 percentage point year on year.

Item	**Six months ended 30 June 2019 (%)**	Six months ended 30 June 2018 (%)	Six months ended 30 June 2017 (%)
Net interest income	**61.3**	61.2	64.5
Net non-interest income	**38.7**	38.8	35.5
Total	**100.0**	100.0	100.0

3.3.1.2 Net Interest Income

During the reporting period, the Group realized RMB57.162 billion of net interest income, an increase of RMB7.354 billion or 14.76% on a year-on-year basis.

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

Unit: RMB million

	Six months ended 30 June 2019			Six months ended 30 June 2018		
Item	**Average balance**	**Interest**	**Average yield/ cost rate (%)**	Average balance	Interest	Average yield/ cost rate (%)
Interest-earning assets						
Loans and advances to customers	**3,737,138**	**89,977**	**4.86**	3,313,151	78,913	4.80
Financial investments[1]	**1,405,306**	**29,014**	**4.16**	1,092,248	23,448	4.33
Deposits with central banks	**385,032**	**2,969**	**1.55**	465,732	3,583	1.55
Deposits and placements with, and loans to banks and non-bank financial institutions	**316,728**	**4,058**	**2.58**	395,308	5,865	2.99
Financial assets held under resale agreements	**38,814**	**409**	**2.12**	40,732	570	2.82
Subtotal	**5,883,018**	**126,427**	**4.33**	5,307,171	112,379	4.27
Interest-bearing liabilities						
Deposits from customers	**3,758,550**	**38,335**	**2.06**	3,451,730	30,328	1.77
Deposits and placements from banks and non-bank financial institutions	**1,011,323**	**14,341**	**2.86**	845,823	15,754	3.76
Debt securities issued	**578,816**	**11,361**	**3.96**	487,569	11,326	4.68
Borrowings from central banks	**253,314**	**4,198**	**3.34**	248,735	4,024	3.26
Financial assets sold under repurchase agreements	**65,192**	**775**	**2.40**	75,886	1,133	3.01
Others	**10,606**	**255**	**4.85**	451	6	2.68
Subtotal	**5,677,801**	**69,265**	**2.46**	5,110,194	62,571	2.47
Net interest income		**57,162**			49,808	
Net interest spread[2]			**1.87**			1.80
Net interest margin[3]			**1.96**			1.89

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

(2) Calculated as average yield rate of total interest-earning assets minus average cost rate of total interest-bearing liabilities.

(3) Calculated as net interest income divided by average balance of interest-earning assets.

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

Unit: RMB million

	Comparison between six months ended 30 June 2019 and 30 June 2018		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	**10,092**	**972**	**11,064**
Financial investments	**6,722**	**(1,156)**	**5,566**
Deposits with central banks	**(620)**	**6**	**(614)**
Deposits and placements with and loans to banks and non-bank financial institutions	**(1,165)**	**(642)**	**(1,807)**
Financial assets held under resale agreements	**(27)**	**(134)**	**(161)**
Changes in interest income	**15,002**	**(954)**	**14,048**
Liabilities			
Deposits from customers	**2,693**	**5,314**	**8,007**
Deposits and placements from banks and non-bank financial institutions	**3,086**	**(4,499)**	**(1,413)**
Debt securities issued	**2,118**	**(2,083)**	**35**
Borrowings from central banks	**74**	**100**	**174**
Financial assets sold under repurchase agreements	**(160)**	**(198)**	**(358)**
Others	**135**	**114**	**249**
Changes in interest expense	**7,946**	**(1,252)**	**6,694**
Changes in net interest income	**7,056**	**298**	**7,354**

Net Interest Margin and Net Interest Spread

During the reporting period, the Group's net interest margin and net interest spread registered 1.96% and 1.87% respectively, both representing an increase of 0.07 percentage point year on year. The Group's yield rate of total interest-earning assets was 4.33%, a year-on-year increase of 0.06 percentage point; the cost rate of interest-bearing liabilities was 2.46%, down by 0.01 percentage point year on year.

3.3.1.3 Interest Income

During the reporting period, the Group realized an interest income of RMB126.427 billion, an increase of RMB14.048 billion or 12.50% year on year, mainly due to the growth in the size of interest-earning assets, constant improvement of asset structure and enhanced pricing management. Interest income from loans and advances to customers was the main component of interest incomes.

Interest Income from Loans and Advances to Customers

The Group recorded RMB89.977 billion interest income from loans and advances to customers for the reporting period, a growth of RMB11.064 billion or 14.02% year on year, primarily because of the RMB423.987 billion increase in the average balance of loans and advances to customers, the Group's improvement of loan structure, enhanced pricing management and the increase of 0.06 percentage point in the average yield rate.

Classification by Maturity Structure

Unit: RMB million

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	**1,386,572**	**30,550**	**4.44**	1,144,273	25,276	4.45
Medium to long-term loans	**2,350,566**	**59,427**	**5.10**	2,168,878	53,637	4.99
Total	**3,737,138**	**89,977**	**4.86**	3,313,151	78,913	4.80

Classification by Business

Unit: RMB million

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	**1,913,483**	**49,229**	**5.19**	1,897,358	46,972	4.99
Discounted bills	**254,498**	**5,133**	**4.07**	118,415	3,114	5.30
Personal loans	**1,569,157**	**35,615**	**4.58**	1,297,378	28,827	4.48
Total	**3,737,138**	**89,977**	**4.86**	3,313,151	78,913	4.80

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB29.014 billion, an increase of RMB5.566 billion or 23.74% year on year, mainly as a result of the growth in the size of the Group's bond investment and investment management products managed by securities companies, which led to an increase of RMB313.058 billion in the average balance of such investment.

Interest Income from Deposits with Central Banks

The Group's interest income from deposits with central banks for the reporting period stood at RMB2.969 billion. It dropped RMB614 million or 17.14% year on year mainly because the average balance of deposits with central banks declined by RMB80.700 billion as a result of the central bank's downward adjustment of the Renminbi required reserve ratio.

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

During the reporting period, the Group's interest income from deposits and placements with, and loans to banks and non-bank financial institutions was RMB4.058 billion, a year-on-year decrease of RMB1.807 billion or 30.81%, mainly because the average balance of deposits and placements with, and loan to banks and non-bank financial institutions decreased by RMB78.580 billion and the average yield rate of such deposits and placement with, and loan to banks and non-bank financial institutions went down by 0.41 percentage point.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group's interest income from financial assets held under resale agreements reached RMB409 million, a drop of RMB161 million or 28.25% year on year, mainly because the average yield rate and average balance of financial assets held under resale agreements decreased by 0.70 percentage point and RMB1.918 billion, respectively.

3.3.1.4 Interest Expense

During the reporting period, the Group's interest expense was RMB69.265 billion, a year-on-year increase of RMB6.694 billion or 10.70%, mainly as a result of increase in the size of interest-bearing liabilities. Interest expense on deposits was the main component of interest expense.

Interest Expense on Deposits from Customers

During the reporting period, the Group's interest expense on deposits from customers stood at RMB38.335 billion, an increase of RMB8.007 billion or 26.40% year on year, primarily because the intensified peer competition in the context of interest rate liberalization, the increased percentage of market-based deposits, the 0.29 percentage point and RMB306.820 billion growth in the average cost rate and average balance of deposits from customers.

Unit: RMB million

	Six months ended 30 June 2019			Six months ended 30 June 2018		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time deposits	**1,485,415**	**22,460**	**3.05**	1,362,179	19,171	2.84
Demand deposits	**1,503,566**	**7,228**	**0.97**	1,509,637	6,325	0.84
Subtotal	**2,988,981**	**29,688**	**2.00**	2,871,816	25,496	1.79
Personal deposits						
Time deposits	**510,347**	**8,252**	**3.26**	341,696	4,504	2.66
Demand deposits	**259,222**	**395**	**0.31**	238,218	328	0.28
Subtotal	**769,569**	**8,647**	**2.27**	579,914	4,832	1.68
Total	**3,758,550**	**38,335**	**2.06**	3,451,730	30,328	1.77

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

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB14.341 billion, a year-on-year decrease of RMB1.413 billion or 8.97%, mainly because the decrease of 0.90 percentage point in the average cost rate of interest expense on deposits and placements from banks and non-bank financial institutions offset the increase of RMB165.500 billion in the average balance of such deposits and placements.

Interest Expense on Debt Certificates Issued

During the reporting period, the Group's interest expense on debt certificates issued stood at RMB11.361 billion, an increase of RMB35 million or 0.31% year on year primarily because the growth of RMB91.247 billion in the average balance of debt certificates issued offset the fall of 0.72 percentage point in the average cost rate.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB4.198 billion, an increase of RMB174 million or 4.32% year on year, mainly because the average cost rate and average balance of borrowings from central banks increased by 0.08 percentage point and RMB4.579 billion, respectively.

Interest Expense on Financial Assets Sold under Repurchase Agreements

During the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB775 million, a decrease of RMB358 million or 31.60% year on year, mainly because the average cost rate and average balance of financial assets sold under repurchase agreements decreased by 0.61 percentage point and RMB10.694 billion, respectively.

3.3.1.5 Net Non-interest Income

During the reporting period, the Group realized RMB36.030 billion of net non-interest income, an increase of RMB4.458 billion or 14.12% on a year-on-year basis.

Unit: RMB million

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Net fee and commission income	**28,292**	21,862	6,430	29.41
Net trading gain	**2,682**	3,449	(767)	(22.24)
Net gain from investment securities	**4,941**	6,295	(1,354)	(21.51)
Net hedging gain	**(3)**	4	(7)	(175.00)
Other net operating gain or loss	**118**	(38)	156	Negative in the same period of last year
Total	**36,030**	31,572	4,458	14.12

3.3.1.6 Net Fee and Commission Income

During the reporting period, the net fee and commission income of the Group reached RMB28.292 billion, representing an increase of RMB6.430 billion or 29.41% year on year. Among these, the bank card fees increased by 34.12% or RMB5.364 billion year on year, mainly due to the increase in credit card fees and income from billing business; commission for custodian and other fiduciary business grew by RMB1.080 billion or 45.06% year on year, as a result of the growth in wealth management business fees; agency fees and commissions increased by RMB919 million or 37.01% year on year, mainly due to the growth in agency insurance fee income; guarantee and consulting fees went down by RMB291 million or 10.55%, mainly because of the decrease in consulting and advisory fee income.

Unit: RMB million

Item	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Bank card fees	**21,087**	15,723	5,364	34.12
Commission for custodian business and other fiduciary	**3,477**	2,397	1,080	45.06
Agency fees and commissions	**3,402**	2,483	919	37.01
Guarantee and consulting fees	**2,466**	2,757	(291)	(10.55)
Settlement and clearing fees	**728**	687	41	5.97
Other fees and commission	**33**	232	(199)	(85.78)
Subtotal of fee and commission income	**31,193**	24,279	6,914	28.48
Fee and commission expense	**(2,901)**	(2,417)	(484)	20.02
Net fee and commission income	**28,292**	21,862	6,430	29.41

3.3.1.7 Net Trading Gain

During the reporting period, the Group's net trading gain was RMB2.682 billion, down by RMB767 million or 22.24% year on year, mainly due to the decrease in valuation and return on investment of trading bonds and interbank certificates of deposit.

3.3.1.8 Net Gain from Investment Securities

During the reporting period, the Group's net again from investment securities reached RMB4.941 billion, a year-on-year decrease of RMB1.354 billion or 21.51%, mainly due to the decrease in return on investment in asset securitization.

3.3.1.9 Operating Expense

During the reporting period, the Group's operating expense was RMB24.673 billion, a year-on-year increase of RMB2.110 billion or 9.35%. The Group actively carried out the development concept of "cost light" pursuant to the 2018-2020 development plan. Under the premise of ensuring the effective support for strategy implementation and business development, the Group further pushed forward the refined management and control of operating costs, thereby controlling the cost-to-income ratio at a reasonable level. During the reporting period, the Group's cost-to-income ratio (excluding tax and surcharges) stood at 25.51%, down by 1.14 percentage points year on year.

Unit: RMB million

Item	Six months ended 30 June 2019	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Staff costs	**13,865**	12,750	1,115	8.75
Property and equipment expenses and amortization	**4,341**	4,148	193	4.65
Other general operating and administrative expenses	**5,568**	4,793	775	16.17
Subtotal	**23,774**	21,691	2,083	9.60
Taxes and surcharges	**899**	872	27	3.10
Total	**24,673**	22,563	2,110	9.35
Cost-to-income ratio	**26.48%**	27.73%	Down 1.25 percentage points	
Cost-to-income ratio (excluding tax and surcharges)	**25.51%**	26.65%	Down 1.14 percentage points	

3.3.1.10 Credit and Other Asset Impairment Losses

The Group accrued credit impairment loss based on the expected credit loss model. During the reporting period, the Group's credit impairment loss and other asset impairment losses totaled RMB34.190 billion, an increase of RMB8.029 billion or 30.69% over the previous year. Specifically, allowance for impairment losses on loans was RMB33.599 billion, representing an increase of RMB9.979 billion or 42.25% year on year.

Unit: RMB million

Item	Six months ended 30 June 2019	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Loans and advances to customers	**33,599**	23,620	9,979	42.25
Interest receivable	**1,126**	1,498	(372)	(24.83)
Financial investments	**1,022**	311	711	228.62
Interbank business (Note)	**(72)**	64	(136)	(212.50)
Other receivables	**(1,304)**	34	(1,338)	(3,935.29)
Off-balance sheet items	**(415)**	501	(916)	(182.83)
Repossessed assets	**234**	133	101	75.94
Total	**34,190**	26,161	8,029	30.69

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

3.3.1.11 Income Tax

During the reporting period, the Group's income tax expense was RMB5.605 billion, representing a decrease of RMB662 million or 10.56% on a year-on-year basis. Effective tax rate of the Group stood at 16.27%, down 3.05 percentage points on a year-on-year basis, mainly because the Group had more tax-abated items of permanent differences such as government bonds and local debts.

3.3.2 Balance Sheet Item Analysis

3.3.2.1 Assets

As at the end of the reporting period, the Group recorded total assets of RMB6,398.803 billion, representing an increase of 5.47% from the end of the previous year, mainly because the Group increased its loans and advances to customers and financial investments.

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**3,835,876**	**60.0**	3,608,412	59.5
Accrued interest of loans and advances to customers	**8,920**	**0.1**	8,338	0.1
Less: Allowance for impairment losses of loans and advances to customers[(1)]	**(109,033)**	**(1.7)**	(101,100)	(1.7)
Net loans and advances to customers	**3,735,763**	**58.4**	3,515,650	57.9
Total financial investments	**1,775,608**	**27.7**	1,588,416	26.3
Accrued interest of financial investments	**17,779**	**0.3**	15,117	0.2
Less: Allowance for impairment losses of financial investments[(2)]	**(3,669)**	**(0.1)**	(3,370)	(0.1)
Net financial investments	**1,789,718**	**27.9**	1,600,163	26.4
Investment in associates and joint ventures	**3,672**	**0.1**	3,881	0.1
Cash and balances with central banks	**413,966**	**6.5**	538,708	8.9
Deposits and placements with banks and non-bank financial institutions	**223,801**	**3.5**	275,313	4.5
Financial assets held under resale agreements	**44,710**	**0.7**	10,790	0.2
Others[(3)]	**187,173**	**2.9**	122,209	2.0
Total	**6,398,803**	**100.0**	6,066,714	100.0

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

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

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

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded a total loans and advances to customers (excluding accrued interest) of RMB3,835.876 billion, up by 6.30% over the end of the previous year. Net loans and advances to customers accounted for 58.4% of total assets, representing a growth of 0.5 percentage points over the end of the previous year. The Group's balance of loans and advances to customer measured at amortized cost accounted for 93.6% of total loans and advances to customers. The table below sets out the classification of the Group's loans and advances to customers by measurement attribute:

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customer measured at amortized cost	**3,589,549**	**93.6**	3,511,892	97.3
Loans and advances to customers measured at fair value through other comprehensive income	**246,327**	**6.4**	96,520	2.7
Total loans and advances to customers	**3,835,876**	**100.0**	3,608,412	100.0

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

Financial Investments

As at the end of the reporting period, the Group recorded a total financial investments of RMB1,775.608 billion, up by RMB187.192 billion or 11.78% over the end of the previous year, mainly because the Group had more investments in debt securities and funds and investment management products managed by securities companies.

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

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Debt securities	**1,008,344**	**56.8**	944,623	59.5
Investment funds	**222,594**	**12.5**	189,176	11.9
Investment management products managed by securities companies	**343,775**	**19.4**	228,502	14.4
Trust investment plans	**158,146**	**8.9**	178,068	11.2
Certificates of deposit and interbank certificates of deposit	**34,145**	**1.9**	40,763	2.6
Investment in equity instruments	**8,481**	**0.5**	7,168	0.4
Investment in wealth management products	**123**	**—**	116	—
Total financial investments	**1,775,608**	**100.0**	1,588,416	100.0

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

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Financial assets measured at fair value through profit or loss	**308,433**	**17.4**	308,872	19.4
Financial investments measured at amortized cost	**917,486**	**51.7**	773,178	48.7
Financial investments measured at fair value through other comprehensive income	**546,211**	**30.7**	503,659	31.7
Financial investments designated to be measured at fair value through other comprehensive income	**3,478**	**0.2**	2,707	0.2
Total financial investments	**1,775,608**	**100.0**	1,588,416	100.0

Debt Securities

As at the end of the reporting period, the Group had RMB1,008.344 billion investment in debt securities, representing an increase of RMB63.721 billion or 6.75% over the end of the previous year, primarily because the Group optimized its asset allocation and increased investments in tax-light and capital-light government bonds.

Classification of Debt Securities Investment by Issuer

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Banks and non-bank financial institutions	**246,376**	**24.4**	207,254	21.9
Governments	**553,118**	**54.8**	491,368	52.0
Policy banks	**75,408**	**7.5**	118,121	12.5
Business entities	**132,802**	**13.2**	125,796	13.3
Public entities	**640**	**0.1**	2,084	0.2
Total	**1,008,344**	**100.0**	944,623	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 30 June 2019.

Unit: RMB million

Debt securities	**Book value**	**Maturity date** (DD/MM/YYYY)	**Coupon rate (%)**	**Accrued impairment allowance**
Debt Securities 1	4,515	20/08/2029	5.98%	—
Debt Securities 2	4,305	18/02/2021	2.96%	—
Debt Securities 3	3,500	20/12/2021	3.79%	0.41
Debt Securities 4	3,498	28/04/2020	4.20%	0.41
Debt Securities 5	2,998	08/03/2021	3.25%	0.77
Debt Securities 6	2,990	28/03/2022	3.50%	0.35
Debt Securities 7	2,899	27/02/2023	3.24%	—
Debt Securities 8	2,498	22/11/2021	3.25%	0.29
Debt Securities 9	2,045	01/02/2024	3.30%	—
Debt Securities 10	2,000	09/03/2020	4.00%	0.23
Total	31,248			2.46

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

Investment in Associates and Joint Ventures

As at the end of the reporting period, the Group recorded RMB3.672 billion investment in associates and joint ventures, representing a decrease of 5.39% over the end of the previous year. As at the end of the reporting period, the Group's balance of allowance for impairment of investment in associates and joint ventures was zero. For details, please refer to Note 21 "Investment in Associates and Joint Ventures" to the financial report.

Unit: RMB million

Item	**30 June 2019**	31 December 2018
Investments in joint ventures	**2,859**	2,759
Investments in associates	**813**	1,122
Allowance for impairment losses	**—**	—
Net investment in associates and joint ventures	**3,672**	3,881

Derivatives

Unit: RMB million

Item	30 June 2019			31 December 2018		
	Nominal principal	Fair value		Nominal principal	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	**2,582,517**	**6,109**	**6,052**	1,845,632	6,106	5,974
Currency derivatives	**2,208,832**	**11,923**	**11,458**	2,595,674	24,826	24,501
Other derivatives	**47,572**	**594**	**1,281**	59,464	1,059	1,171
Total	**4,838,921**	**18,626**	**18,791**	4,500,770	31,991	31,646

Repossessed assets

Unit: RMB million

Item	30 June 2019	31 December 2018
Original value of repossessed assets	**3,072**	2,928
— Land, premises and buildings	**2,416**	2,429
— Others	**656**	499
Allowances for impairment of repossessed assets	**(760)**	(725)
— Land, premises and buildings	**(487)**	(449)
— Others	**(273)**	(276)
Total book value of repossessed assets	**2,312**	2,203

Changes in impairment allowances

Unit: RMB million

Item	31 December 2018	Charge/reversal for the period	Write-offs/ transfer out	Others(1)	30 June 2019
Loans and advances to customers(2)	101,154	33,599	(27,658)	2,182	**109,277**
Financial investments(3)	4,394	1,022	(186)	(34)	**5,196**
Interbank business(4)	243	(72)	—	—	**171**
Other assets(5)	12,072	(178)	(6,555)	464	**5,803**
Off-balance sheet items	4,543	(415)	—	—	**4,128**
Subtotal of allowances for credit impairment	**122,406**	**33,956**	**(34,399)**	**2,612**	**124,575**
Repossessed assets	725	234	(194)	(5)	**760**
Subtotal of allowances for other asset impairments	**725**	**234**	**(194)**	**(5)**	**760**
Total	**123,131**	**34,190**	**(34,593)**	**2,607**	**125,335**

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

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

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

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

(5) The impairment losses of interest receivables of the financial instruments in this table and its changes are included in "Other assets".

3.3.2.2 Liabilities

As at the end of the reporting period, the Group recorded a total liabilities of RMB5,926.845 billion, an increase of 5.58% from the end of the previous year, primarily due to the increase in deposits from customers and debt certificates issued.

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Borrowings from central banks	**237,279**	**4.0**	286,430	5.1
Deposits from customers	**4,034,436**	**68.1**	3,649,611	65.0
Deposits and placements from banks and non-bank financial institutions	**905,752**	**15.3**	897,622	16.0
Financial assets sold under repurchase agreements	**42,968**	**0.7**	120,315	2.1
Debt securities issued	**606,403**	**10.2**	552,483	9.9
Others (Note)	**100,007**	**1.7**	107,167	1.9
Total	**5,926,845**	**100.0**	5,613,628	100.0

Note: Including trading financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payables, estimated liabilities, lease liabilities, deferred income tax liabilities and other liabilities, etc.

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers (excluding accrued interest) were RMB4,001.379 billion, representing an increase of RMB384.956 billion or 10.64% over the end of the previous year; and customer deposits accounted for 68.1% of total liabilities, an increase of 3.1 percentage points from the end of the previous year. The Group's balance of corporate deposits was RMB3,162.533 billion, representing an increase of RMB258.619 billion or 8.91% over the end of the previous year; and balance of personal deposits stood at RMB838.846 billion, representing an increase of RMB126.337 billion or 17.73% over the end of the previous year.

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,655,378**	**41.0**	1,521,684	41.7
Time deposits	**1,507,155**	**37.4**	1,382,230	37.9
Including: negotiated deposits	**83,489**	**2.1**	86,739	2.4
Subtotal	**3,162,533**	**78.4**	2,903,914	79.6
Personal deposits				
Demand deposits	**286,718**	**7.1**	262,960	7.2
Time deposits	**552,128**	**13.7**	449,549	12.3
Subtotal	**838,846**	**20.8**	712,509	19.5
Total deposits from customers	**4,001,379**	**99.2**	3,616,423	99.1
Accrued interest	**33,057**	**0.8**	33,188	0.9
Total deposits from customers	**4,034,436**	**100.0**	3,649,611	100.0

Breakdown of deposits from customers by currency

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**3,674,067**	**91.1**	3,283,244	90.0
Foreign currency	**360,369**	**8.9**	366,367	10.0
Total	**4,034,436**	**100.0**	3,649,611	100.0

Breakdown of deposits by geographical region

Unit: RMB million

	30 June 2019		31 December 2018	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Head Office	**13,187**	**0.3**	12,749	0.4
Bohai Rim	**1,037,295**	**25.7**	889,733	24.4
Yangtze River Delta	**1,034,875**	**25.7**	891,975	24.4
Pearl River Delta and West Strait	**706,934**	**17.5**	657,033	18.0
Central China	**508,110**	**12.6**	486,734	13.3
Western China	**408,515**	**10.1**	376,039	10.3
Northeastern China	**84,217**	**2.1**	83,730	2.3
Overseas	**241,303**	**6.0**	251,618	6.9
Total	**4,034,436**	**100.0**	3,649,611	100.0

3.3.3 Shareholders' Equity

The table below sets out the changes in shareholders' equity in the Group during the reporting period.

Unit: RMB million

	Six months ended 30 June 2019							
Item	Share capital	Other equity instruments	Capital reserves	Other comprehensive income	Surplus reserve and general risk reserve	Retained profits	Non-controlling interests	Total
31 December 2018	48,935	34,955	58,977	5,269	108,705	179,820	16,425	453,086
i. Profit for the period						28,307	530	28,837
ii. Other comprehensive income				157			100	257
iii. Capital stock contributed or reduced by shareholders		3,135					(1,825)	1,310
iv. Profit appropriation						(11,255)	(277)	(11,532)
30 June 2019	48,935	38,090	58,977	5,426	108,705	196,872	14,953	471,958

3.3.4 Loan Quality Analysis

During the reporting period, the Group recorded overall controllable asset quality, a steady growth of credit assets, a slight decrease in NPL ratio and a higher level of allowance coverage. As at the end of the reporting period, the Group registered a total balance of loans of RMB3,835.876 billion, up by 6.30% over the end of the previous year; an NPL ratio of 1.72%, slightly down by 0.05 percentage point over the end of the previous year; an allowance coverage ratio of 165.17%, up by 7.19 percentage points from the end of the previous year; and a ratio of balance of allowance for loan impairment to total loans of 2.85%, up by 0.05 percentage point from the end of the previous year.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB1,939.896 billion, an increase of RMB58.771 billion or 3.12% over the end of the previous year; and its balance of personal loans reached RMB1,647.668 billion, an increase of RMB163.178 billion or 10.99% over the end of the previous year. Personal loans grew faster than corporate loans, and the personal loan balance took up a proportion of 42.95% of the total. Balance of discounted bills increased by RMB5.515 billion over the end of the previous year. The Group's balance of corporate NPLs (excluding discounted bills) increased by RMB2.167 billion, with a 0.03 percentage point rise in the corresponding NPL ratio over the end of the previous year; its balance of personal NPLs decreased by RMB63 million, with a 0.10 percentage point drop in the corresponding NPL ratio over the end of the previous year.

Unit: RMB million

	30 June 2019				31 December 2018			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio (%)**	Balance	Proportion (%)	Balance of NPLs	NPL ratio (%)
Corporate loans	**1,939,896**	**50.58**	**51,289**	**2.64**	1,881,125	52.13	49,122	2.61
Personal loans	**1,647,668**	**42.95**	**14,843**	**0.90**	1,484,490	41.14	14,906	1.00
Discounted bills	**248,312**	**6.47**	**29**	**0.01**	242,797	6.73	0.00	0.00
Total Loans	**3,835,876**	**100.00**	**66,161**	**1.72**	3,608,412	100.00	64,028	1.77

Breakdown of Loans by Type of Guarantee

As at the end of the reporting period, the Group's loan guarantee structure basically remained stable. The combined balance of loans secured by collateral and pledge loans stood at RMB2,177.317 billion, an increase of RMB110.237 billion over the previous year, and took up a proportion of 56.77% of the total, 0.51 percentage point lower than the end of the previous year. The combined balance of unsecured loans and guaranteed loans recorded RMB1,410.247 billion, a rise of RMB111.712 billion over the end of the previous year, accounting for 36.76% of the total, up by 0.77 percentage point from the end of the previous year.

Unit: RMB million

	30 June 2019		31 December 2018	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**911,416**	**23.76**	806,153	22.34
Guaranteed loans	**498,831**	**13.00**	492,382	13.65
Loans secured by collateral	**1,734,439**	**45.22**	1,658,485	45.96
Pledge loans	**442,878**	**11.55**	408,595	11.32
Subtotal	**3,587,564**	**93.53**	3,365,615	93.27
Discounted bills	**248,312**	**6.47**	242,797	6.73
Total Loans	**3,835,876**	**100.00**	3,608,412	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group registered a total loan balance of RMB3,835.876 billion, an increase of RMB227.464 billion or 6.30% over the end of the previous year. The Group's balances of loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta and West Strait ranked the top three, recording RMB1,151.105 billion, RMB880.884 billion and RMB581.561 billion, and accounting for 30.01%, 22.96% and 15.16% of the Group total, respectively. In terms of growth rate, the Yangtze River Delta, the Central region and the Western region recorded the highest growth, reaching 12.25%, 9.55% and 7.86%, respectively. The Group's NPLs were mainly concentrated in the Bohai Rim, the Pearl River Delta and West Strait and the Western region, with the combined NPL balance reaching RMB45.413 billion, accounting for a combined ratio of 68.64% of the total. In terms of incremental NPLs, the Pearl River Delta and West Strait registered the largest amount of RMB3.858 billion and its NPL ratio rose by 0.58 percentage point; followed by the Bohai Rim, which recorded RMB1.126 billion incremental NPLs and a 0.04 percentage point rise in its NPL ratio.

The regional distribution of the Group's NPLs changed mainly because: (1) after active disposal of NPLs in the Bohai Rim and other regions, existing NPLs were gradually resolved. However, overcapacity industries remained under the pressure of restructuring and some regions were exposed to concentrated outbreak of risks, such as frequent debt risk events in Tianjin and Shandong, leading to more incremental NPLs in these regions. and (2) small and medium-sized private enterprises (SMEs) in some regions were under greater pressure due to difficulties in industrial transformation and upgrading and restricted exports, putting pressure on the asset quality of the Bank.

Unit: RMB million

	30 June 2019				31 December 2018			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio (%)**	Balance	Proportion (%)	Balance of NPLs Balance	NPL ratio (%)
Bohai Rim[1]	**1,151,105**	**30.01**	**26,176**	**2.27**	1,123,293	31.13	25,050	2.23
Yangtze River Delta	**880,884**	**22.96**	**6,993**	**0.79**	784,722	21.75	9,146	1.17
Pearl River Delta and West Strait	**581,561**	**15.16**	**11,537**	**1.98**	549,491	15.23	7,679	1.40
Western	**467,198**	**12.18**	**7,700**	**1.65**	433,143	12.00	7,136	1.65
Central	**507,311**	**13.23**	**7,498**	**1.48**	463,100	12.83	8,479	1.83
Northeastern	**73,825**	**1.92**	**4,032**	**5.46**	75,682	2.10	5,068	6.70
Overseas	**173,992**	**4.54**	**2,225**	**1.28**	178,981	4.96	1,470	0.82
Total Loans	**3,835,876**	**100.00**	**66,161**	**1.72**	3,608,412	100.00	64,028	1.77

Note: (1) Bohai Rim includes the Head Office.

Concentration of Corporate Loans by Sector

As at the end of the reporting period, real estate and rental and business services were the top two sector borrowers of the Group's corporate loans. Their loan balances recorded RMB304.850 billion and RMB296.763 billion, respectively, collectively taking up 31.01% of the Group's total loans, down by 0.65% from the end of the previous year. In terms of growth rate, loans to the four sectors, namely, construction, water, environment and public utilities management, production and supply of electric power, gas and water, a well as rental and business services, grew relatively faster, up by 21.05%, 14.03%, 6.15% and 4.97% over the end of the previous year respectively, all higher than the average growth rate of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in two sectors, i.e., manufacturing sector and wholesale and retail sector, with their NPL balances collectively taking up 65.37% of the total. And these two sectors' balance of NPLs decreased by RMB697 million and RMB279 million over the end of the previous year, corresponding to a 0.16 percentage point increase and 0.43 percentage point drop in their respective NPL ratios compared with the end of the previous year.

The sector distribution of the Group's NPLs changed mainly because: (1) some enterprises in the manufacturing, wholesale and retail, and rental and business services sector incurred credit risks due to fiercer industry competition and declining profitability that resulted from multiple factors such as overcapacity and insufficient market demand; and (2) the differentiation of real estate market increased the risk of property development loans.

As at the end of the reporting period, the Group's NPL balances in the four sectors, i.e., real estate, rental and business services, construction, as well as water, environment and public utilities management increased by RMB1.850 billion, RMB1.275 billion, RMB0.545 billion and RMB0.258 billion respectively over the end of the previous year, and their corresponding NPL ratio went up by 0.61, 0.40, 0.32 and 0.09 percentage point respectively. The Group's NPL balances in two sectors, i.e., transportation, storage and postal service, as well as production and supply of electric power, gas and water, decreased by RMB492 million and RMB160 million over the end of the previous year, and their NPL ratio went down by 0.30 and 0.31 percentage point respectively.

Unit: RMB million

	30 June 2019				31 December 2018			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio (%)**	Balance	Proportion (%)	Balance of NPLs	NPL ratio (%)
Manufacturing	**279,244**	**14.40**	**20,945**	**7.50**	295,005	15.68	21,642	7.34
Real estate	**304,850**	**15.71**	**2,932**	**0.96**	312,923	16.63	1,082	0.35
Wholesale and retail	**155,956**	**8.04**	**12,584**	**8.07**	151,391	8.05	12,863	8.50
Transportation, storage and postal service	**148,620**	**7.66**	**1,599**	**1.08**	151,038	8.03	2,091	1.38
Water, environment and public utilities management	**238,241**	**12.28**	**525**	**0.22**	208,922	11.11	267	0.13
Construction	**95,732**	**4.93**	**1,703**	**1.78**	79,086	4.20	1,158	1.46
Rental and business services	**296,763**	**15.30**	**3,317**	**1.12**	282,699	15.03	2,042	0.72
Production and supply of electric power, gas and water	**77,426**	**3.99**	**1,150**	**1.49**	72,938	3.88	1,310	1.80
Public management and social organizations	**12,906**	**0.67**	**0**	**0.00**	13,366	0.71	0	0.00
Others	**330,158**	**17.02**	**6,534**	**1.98**	313,757	16.68	6,667	2.12
Corporate Loans Total	**1,939,896**	**100.00**	**51,289**	**2.64**	1,881,125	100.00	49,122	2.61

Concentration of Borrowers of Corporate Loans

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

Major regulatory indicator	**Regulatory Standard**	**30 June 2019**	31 December 2018	31 December 2017
Percentage of loans to the largest single customer (%)(1)	**≤10**	**2.35**	2.44	2.25
Percentage of loans to the top 10 customers (%)(2)	**≤50**	**14.05**	14.49	16.88

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

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

Unit: RMB million

		30 June 2019		
	Sector	**Balance**	**Percentage in total loans (%)**	**Percentage in net capital (%)**
Borrower A	Rental and business services	**14,221.67**	**0.37**	**2.35**
Borrower B	Real estate	**12,416.93**	**0.33**	**2.05**
Borrower C	Public management, social security and social organizations	**9,483.93**	**0.25**	**1.57**
Borrower D	Real estate	**8,660.46**	**0.23**	**1.43**
Borrower E	Manufacturing	**7,420.25**	**0.19**	**1.22**
Borrower F	Finance	**6,970.35**	**0.18**	**1.15**
Borrower G	Real estate	**6,800.00**	**0.18**	**1.12**
Borrower H	Transportation, storage and postal service	**6,656.01**	**0.17**	**1.10**
Borrower I	Real estate	**6,304.30**	**0.16**	**1.04**
Borrower J	Manufacturing	**6,196.85**	**0.16**	**1.02**
Total Loans		**85,130.75**	**2.22**	**14.05**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB85.131 billion, taking up 2.22% of its total loans and 14.05% of its net capital.

Five-Class Loan Classification

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

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

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

Unit: RMB million

	30 June 2019		31 December 2018	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Pass	**3,680,586**	**95.95**	3,459,343	95.87
Special mention	**89,129**	**2.32**	85,041	2.36
Substandard	**34,997**	**0.91**	26,141	0.72
Doubtful	**24,787**	**0.65**	30,779	0.85
Loss	**6,377**	**0.17**	7,108	0.20
Total Loans	**3,835,876**	**100.00**	3,608,412	100.00
Performing Loans	**3,769,715**	**98.28**	3,544,384	98.23
Non-performing Loans	**66,161**	**1.72**	64,028	1.77

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

As at the end of the reporting period, the Group's balance of pass loans increased by RMB221.243 billion over the end of the previous year, and accounted for 95.95% of its total loan balance, representing an increase of 0.08 percentage point over the end of the previous year; and the balance of special mention loans increased by RMB4.088 billion, accounting for 2.32% of its total loan balance, down by 0.04 percentage point over the end of the previous year. The balance of the Group's NPLs recognized in accordance with the regulatory risk classification criteria stood at RMB66.161 billion, representing an increase of RMB2.133 billion over the end of the previous year; and its NPL ratio recorded 1.72%, down by 0.05 percentage point over the end of the previous year.

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

At the beginning of 2019, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. With its pertinent measures for risk prevention and resolution, the Group was able to put the changes in NPLs under control. During the reporting period, the Group worked hard to improve loan quality. Among others, it reinforced the disposal of NPLs, disposing RMB35.430 billion NPL principals by means of recovery and write-off.

Migration of Loans

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

	30 June 2019	31 December 2018	31 December 2017
Migration ratio of pass loans (%)	**1.26**	2.53	1.96
Migration ratio of special mention loans (%)	**20.58**	48.27	35.16
Migration ratio of substandard loans (%)	**23.74**	73.53	46.05
Migration ratio of doubtful loans (%)	**37.64**	41.91	32.05
Ratio of migration from performing to non-performing loans (%)	**0.89**	1.63	1.45

As at the end of the reporting period, the Bank's ratio of migration from performing to NPLs was 0.89%, a drop of 0.74 percentage point over the end of the previous year and a drop of 0.30 percentage point year on year, mainly thanks to the Bank's steadily improving asset quality, the implementation of the "name list system" classification management for risk customers, and strengthened resolution of NPLs and overdue loans which delivered evident results.

Loans Overdue

Unit: RMB million

	30 June 2019		31 December 2018	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**3,734,970**	**97.37**	3,511,853	97.32
Loans overdue[1]				
1-90 days	**42,175**	**1.10**	37,391	1.04
91-180 days	**14,470**	**0.38**	13,181	0.37
181 days or more	**44,261**	**1.15**	45,987	1.27
Subtotal	**100,906**	**2.63**	96,559	2.68
Total Loans	**3,835,876**	**100.00**	3,608,412	100.00
Loans Overdue for 91 Days or More	**58,731**	**1.53**	59,168	1.64
Restructured Loans[2]	**21,063**	**0.55**	21,588	0.60

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

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

During the reporting period, the Group's overdue loans increased due to the impacts of the external economic environment. As at the end of the reporting period, the Group's balance of overdue loans recorded RMB100.906 billion, an increase of RMB4.347 billion over the end of the previous year, and the proportion of overdue loans in total loans went down by 0.05 percentage point over the end of the previous year. Of these overdue loans, 1.10% were short-term temporary loans with a maturity of less than 3 months. The balance of loans overdue for 90 days or more stood at RMB58.731 billion, down by RMB0.437 billion compared with the end of last year. The proportion of loans overdue for 90 days or more was 1.53%, a decrease of 0.11 percentage point from the end of last year. Changes in loans overdue were mainly caused by: (1) despite of the slight growth of overdue loans in some businesses, the growth rate of loans overdue and loans overdue for 90 days and more slowed down and generally stabilized; (2) the Group conducted "name list system" classification management and strengthened the resolution of loans overdue, and the results were showed.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group restructured RMB21.063 billion loans, a drop of RMB525 million in amount and a decrease of 0.05 percentage point in proportion from the end of the previous year.

Analysis of Allowance for Loan Impairment

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

Unit: RMB million

	30 June 2019	31 December 2018
Effects from beginning conversion	—	7,002
Beginning balance	**101,154**	97,905
Accruals during the period(1)	**33,599**	47,753
Others(2)	**(125)**	(7)
Write-offs and transfer out	**(27,658)**	(46,938)
Recovery of loans and advances written off in previous years	**2,307**	2,441
Ending balance	**109,277**	101,154

Notes: (1) Equivalent to the net loan impairment loss recognized as accruals for the Group in the consolidated statement of profit and loss the Group.

(2) Including allowance for loan impairment released due to the conversion of loans to repossessed assets, foreign exchange rate changes and others.

The Group set aside adequate allowance for loan impairment losses in a timely manner according to the principle of prudence and truthfulness. As at the end of the reporting period, the Group's balance of allowance for loan impairment registered RMB109.277 billion, an increase of RMB8.123 billion in such allowance compared with the end of last year. The Group's ratio of balance of allowance for loan impairment to NPL balance (i.e., the allowance coverage ratio) and ratio of balance of allowance for loan impairment to total loans (i.e., the ratio of allowance for impairment of loans to total loans) stood at 165.17% and 2.85%, up by 7.19 percentage points and 0.05 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB33.599 billion as allowance for loan impairment, an increase of RMB9.979 billion year on year. The reasons underlying the change in allowance accruals were: (1) the Bank tightened the criteria for recognition of NPLs, including loans overdue for 90 days and more to the non-performing category; and (2) with more vigorous NPL disposal and write-offs, the Bank increased the consumption of allowance.

3.3.5 Major Off-Balance Sheet Items

The table below sets out the Group's major off-balance-sheet items and their balances as at the end of the reporting period.

Unit: RMB million

Item	**30 June 2019**	31 December 2018
Credit commitments		
— Bank acceptance bills	**381,943**	393,851
— Letters of guarantee	**145,825**	158,813
— Letters of credit	**93,804**	92,924
— Irrevocable loan commitments	**38,867**	40,029
— Credit card commitments	**502,985**	434,590
Subtotal	**1,163,424**	1,120,207
Operating leasing commitments	—	12,934
Capital commitments	**6,846**	5,356
Pledged assets	**369,806**	473,399
Total	**1,540,076**	1,611,896

3.3.6 Cash Flow Statement Analysis

Net Cash Flows from Operating Activities

The Group's net cash inflow from operating activities registered RMB8.547 billion, a decrease of RMB3.853 billion year on year, primarily because the cash inflows resulting from the increase in deposits from customers and decrease in financial investments offset the cash outflows resulting from increase in loans and advances to customers and decrease in the size of interbank liabilities, and the net cash inflow fell compared with last year.

Net Cash Flows Used in Investing Activities

The Group's net cash flows used in investing activities recorded RMB190.023 billion, an increase of RMB57.008 billion year on year, mainly because the size of asset management plan and securities investment increased over last year.

Net Cash Flows Generated from Financing Activities

The Group's net cash flows generated from financing activities registered RMB42.518 billion, a decrease of RMB48.461 billion year on year, mainly because the size of interbank certificates of deposit and debt securities issued decreased over last year.

Unit: RMB million

Item	Six months ended 30 June 2019	YoY growth rate (%)	Main reason
Net cash flows from operating Activities	**8,547**	(31.1)	
Including: Cash inflow due to reduced financial investments	**7,742**	(93.1)	Classification of cash flows generated from structured investments as investment activities as per the new accounting standards on financial instruments
Cash inflow due to increase in deposits from customers	**384,805**	117.0	Increase in various deposits
Net cash outflow due to decrease in interbank business(Note)	**(120,390)**	(37.4)	Decrease in interbank liabilities
Cash outflow due to increase in loans and advances to customers	**(262,403)**	24.1	Increase in various loans
Net cash flows used in investing Activities	**(190,023)**	42.9	
Including: Proceeds from redemption of investments	**998,944**	202.8	Increase in sale and redemption of financial investments
Payments on acquisition of investments	**(1,188,443)**	157.6	Increase in financial investments
Net cash flows generated from financing activities	**42,518**	(53.3)	
Including: Proceeds from issuance of debt certificates	**264,925**	(53.3)	Decrease in issuance of interbank deposit certificates and debt securities
Principal repayment for issued debt certificates	**(210,246)**	(53.6)	Decrease in repayment of matured interbank deposit certificates and debt securities
Interest payment for issued debt certificates	**(10,772)**	(6.6)	Decrease in payment of interests on interbank deposit certificates and debt securities
Payment of dividends	**(277)**	(97.7)	Cash dividend in the current period was not paid

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

3.3.7 Major Accounting Estimates and Assumptions

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

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

3.3.8 Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	30 June 2019/ six months ended 30 June 2019	Increase/ decrease (%) over the end of the previous year/over the same period of the previous year	Main reason
Deposits with banks and non-bank financial institutions	49,914	(49.7)	Decrease in deposits with domestic banking financial institutions
Precious metals	10,358	107.7	Increase in self-held precious metals
Derivative financial assets	18,626	(41.8)	Decrease in revaluation net gain from currency derivatives
Financial assets held under resale agreements	44,710	314.4	Increase in debt securities held under resale agreements from domestic banking financial institutions
Use right assets	11,502	—	Item added as per the implementation of new lease rules
Other assets	94,693	159.7	Increase in settlement and clearing accounts
Placements from banks and non-bank financial institutions	59,717	(48.2)	Decrease in placements from domestic non-bank financial institutions
Derivative financial liabilities	18,791	(40.6)	Decrease in revaluation net gain from currency derivatives
Financial assets sold under repurchase agreements	42,968	(64.3)	Decrease in domestic debt securities sold under repurchase agreement
Lease liabilities	10,883	—	Item added as per the implementation of new lease rules
Credit impairment loss	33,956	30.5	Increase in loan impairment loss

3.3.9 Segment Report

3.3.9.1 Business Segments

Major business segments of the Group include corporate banking, retail banking and financial markets business.

Unit: RMB million

	Six months ended 30 June 2019				Six months ended 30 June 2018			
Business segment	Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)	Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	47,097	50.6	15,463	44.9	43,649	53.6	14,556	44.9
Retail banking	33,766	36.2	10,154	29.5	28,129	34.6	11,641	35.9
Financial market business	10,266	11.0	8,851	25.7	8,011	9.8	6,508	20.1
Others and unallocated	2,063	2.2	(26)	(0.1)	1,591	2.0	(263)	(0.9)
Total	93,192	100.0	34,442	100.0	81,380	100.0	32,442	100.0

3.3.9.2 Geographical Segments

The table below lists the operating results of the Group for the reporting period by geographical segment.

Unit: RMB million

	30 June 2019				Six months ended 30 June 2019	
	Total assets(1)		Total liabilities(2)		Profit before tax	
Geographical segment	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Head Office	**2,478,825**	**38.9**	**2,169,950**	**36.6**	**24,663**	**71.6**
Yangtze River Delta	**1,401,845**	**22.0**	**1,295,803**	**21.9**	**4,478**	**13.0**
Pearl River Delta and West Strait	**840,301**	**13.2**	**876,203**	**14.8**	**1,471**	**4.3**
Bohai Rim	**1,442,681**	**22.6**	**1,424,220**	**24.0**	**800**	**2.3**
Central China	**622,065**	**9.8**	**613,740**	**10.4**	**1,900**	**5.5**
Western China	**587,722**	**9.2**	**576,840**	**9.7**	**(240)**	**(0.7)**
Northeastern China	**102,935**	**1.6**	**102,459**	**1.7**	**(643)**	**(1.9)**
Overseas	**323,583**	**5.1**	**273,216**	**4.6**	**2,013**	**5.9**
Offset	**(1,427,899)**	**(22.4)**	**(1,405,599)**	**(23.7)**	**—**	**—**
Total	**6,372,058**	**100.0**	**5,926,832**	**100.0**	**34,442**	**100.0**

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

Unit: RMB million

	31 December 2018				Six months ended 30 June 2018	
	Total assets(1)		Total liabilities(2)		Profit before tax	
Geographical segment	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Head Office	2,445,696	40.5	2,084,629	37.1	18,576	57.3
Yangtze River Delta	1,184,230	19.6	1,191,150	21.2	4,633	14.3
Pearl River Delta and West Strait	812,520	13.5	800,478	14.3	3,705	11.4
Bohai Rim	1,255,616	20.8	1,228,822	21.9	3,200	9.9
Central China	594,775	9.8	596,075	10.6	1,787	5.5
Western China	539,071	8.9	524,880	9.4	303	0.9
Northeastern China	97,329	1.6	106,680	1.9	(1,745)	(5.4)
Overseas	338,573	5.6	282,868	5.0	1,983	6.1
Offset	(1,224,270)	(20.3)	(1,201,970)	(21.4)	—	—
Total	6,043,540	100.0	5,613,612	100.0	32,442	100.0

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

3.4 Capital Market Focuses

3.4.1 Implementation of the 2018-2020 Development Plan

The Bank duly implemented its 2018-2020 development plan during the reporting period, with the completion rate of key projects reaching 96.2%. There are mainly following 6 aspects:

The three major business segments maintained a sound development momentum. During the reporting period, the Bank achieved initial results in corporate business transformation, and the total amount of corporate deposits in Renminbi and foreign currencies exceeded RMB3 trillion, maintaining the first place among joint-stock banks[1]. Constant breakthroughs were made in obtaining important qualifications for institutional business, major customers and major projects, and growth of deposits at hundred-billion-yuan level was driven by strategic customers. Inclusive finance met the requirements of CBIRC for "two increases and two controls" and the highest assessment requirements of the central bank for targeted RRR cuts periodically. In terms of custody business, the Bank obtained the qualification as a custodian for occupational annuity funds of the central government organs and 11 local governments. Meanwhile, the Bank launched investment banking projects in a number of markets as the first bank to do so. The potential for retail banking transformation was released at an accelerated pace. Retail deposits of the Bank exceeded the threshold of RMB700 billion. The balance of personal loans (excluding credit cards) amounted to RMB1.12 trillion, and the balance of assets under management (AUM) reached RMB1.98 trillion. 7.34 million new credit cards were issued. The sales volume of the Bank's two major private banking products, namely, family trust and carte blanche asset management, exceeded the total volume of last year. The advantaged position in the financial market business was consolidated, and the agency exchange settlement and sale and cross-border RMB exchange collection and payment business remained at the forefront of joint-stock banks. The volume of NAV wealth management products reached RMB473.6 billion, taking a proportion of 46% of the total, up by 20 percentage points.

1 Based on the data released by the PBOC.

Regional differentiated policies were implemented. According to its 2018-2020 development plan, the Bank divided 37 tier-one branches into three categories, namely, strategic pivotal branches, key regional branches and regional branches with good potential, and made differentiated arrangements in resource allocation and return requirements. During the reporting period, the Bank strengthened performance indicator assessment, increased corporate credit support and allocated more credit approval resources for strategic pivotal branches and key regional branches. As for regional branches with good potential, the Bank strengthened risk indicator assessment, encouraged the growth of core deposits and refined the organizational structure. Under the guidance of various policies, the proportion of corporate loans of strategic pivotal branches increased by 0.8 percentage point over the year beginning. The growth rate of operating income of key regional branches was 2.8 percentage points higher than the average growth rate of all branches. The development foundation of regional branches with good potential was further consolidated.

Breakthroughs were made in comprehensive and internationalized operations. During the reporting period, the Bank earnestly implemented the Belt and Road Initiative and successfully held the China-Kazakhstan High-Tech Enterprise Forum in Kazakhstan, facilitating the signing of memorandum of cooperation of its 10 corporate customers. London Branch, the first directly affiliated overseas branch, opened for business. CITIC aiBank was rated AAA in long-term credit rating. CNCBI's cross-border business developed well. CNCB Investment actively developed its investment banking license business. The net profit of CITIC Financial Leasing increased by 48.46% year on year. JSC Altyn Bank maintained the highest rating among commercial banks in Kazakhstan. The upgradation of representative office to a branch in Sydney and the preparatory work for the establishment of a wealth management subsidiary was being actively promoted.

The technology-driven innovation capabilities were enhanced. During the reporting period, the Bank strived to improve IT organizational efficiency by launching the IT tribal mechanisms pilot, as a result the handling time for the whole process was reduced by 30 working days, and the average delivery cycle for IT development projects was shortened by 30%. The Bank went all out to promote technological application. The AI financial service platform "CITIC Brain" project launched 20 marketing models, the open banking project was connected with 21 partners, and the data analysis cloud platform project was promoted to the whole bank at a faster pace.

The risk prevention and control system was continuously improved. The Bank strengthened the concept of integrating business development and risk management during the reporting period, to better balance development and risk control. It actively pushed forward the implementation of the "1+3" systems[2], refined 50 supporting systems and strengthened the Group's unified whole-process credit management. The authorization management was adjusted to a proper degree, and differentiated authorization was steadily promoted. The NPL ratio slightly decreased, the allowance coverage level increased somewhat, and the asset quality further improved. Thanks to strengthened asset structure adjustment, the balance of on- and off-balance sheet credit extension to the industries under active support recorded 31.38% of the total, an increase of 1.34 percentage points. Moreover, the Bank continued to strengthen internal control and compliance, further improved the accountability system, and enhanced anti-money laundering governance by vigorously carrying out the risk compliance culture activity. With wider application of IT-based auditing and enhanced collaboration among the discipline inspection, compliance and audit, the role of the comprehensive supervisory system was effectively played.

The basic management capacity was continuously enhanced. During the reporting period, the Bank refined its financial and accounting as well as asset and liability management system, promoted the performance assessment system at all fronts, accelerated the establishment of a financial sharing center and improved the data governance system. The Bank launched the pilot project of centralized operation, reducing the handling time of daily business such as remittance and transfer and bill clearing by 30% on average. To further the reform of human resources, the Bank launched the "service package", and implemented the Objectives and Key Results (OKR) performance assessment for Head Office departments. A service platform named "smart administration" was introduced to continuously improve operations and services.

2 The "1+3" unified credit extension measure systems for corporate customers refer to the *Measures on Unified Credit Management for Corporate Customers of China CITIC Bank (Trial)*, the *Measures on Credit Management for Group Customers of China CITIC Bank (Trial)*, the *Measures on Credit Limit Management for Corporate Customers of China CITIC Bank (Trial)* and the *Measures on Credit Business Process Management for Corporate Customers of China CITIC Bank (Trial)*.

3.4.2 Inclusive Finance

The Bank actively responded to the national strategic deployment of developing inclusive finance, and strictly implemented the "Specialized Five" operation mechanism including comprehensive services, statistical accounting, risk management, resource allocation, assessment and evaluation, to propel the development of inclusive financial system in an active manner. During the reporting period, by adhering to the development philosophy of being "humane, mission-driven, considerate and benevolent" for inclusive finance, the Bank accelerated the improvement of organization structure system for such business, expanded the scope of pilot branches for inclusive finance to 20 branches in "The Four Cities and Twelve Provinces"[3], and set up the tier-one inclusive finance department in these pilot branches, to form a matrix organization structure integrating the Head Office, branches and business lines. The Bank actively carried out the reform of inclusive finance risk system. The Inclusive Finance Department of the Head Office established the Inclusive Finance Risk Review Committee and appointed the Risk Director. The inclusive finance department of each branch was dispatched a risk supervisor to implement centralized operation and management including "review, approval, disbursement and post-lending" based on the delegated risk authority. For the purpose of actively improving internal mechanism building, the Bank fully mobilized the enthusiasm of the primary level for "daring and willing to lend", and linked the completion of inclusive financial business assessment indicators and the implementation of regulatory policies with the assessment and evaluation of branches' main responsible persons, to further implement the due diligence and exemption system of credit business, and refine and clarify the due diligence and exemption recognition criteria and exemption conditions. According to the *Notice on Further Enhancing the Quality and Efficiency of Financial Services for Micro and Small Enterprises in 2019* of CBIRC, the tolerance of NPLs under inclusive finance was raised to be not higher than 3 percentage points above the NPL ratio of other loans.

During the reporting period, the Bank continued to enrich the standardized product system, improve the functions of standardized products and enhance online level of standardized products according to the characteristics of capital requirements of inclusive finance customers (i.e. "short-term, frequent and fast"), so as to realize the whole-process online and self-help handling of loan application, contract signing and withdrawal and repayment of key standardized products, improve operational efficiency and enhance customer experience. Meanwhile, in order to solve the problem of corporate loan renewal and reduce the financial cost of enterprises, the Bank actively improved credit technology and introduced the functions including loan renewal without repayment of principal, and borrowing and repayment at any time. It kept improving the risk management system for inclusive finance. Relying on financial technology and drawing support from internal and external big data and internet technologies, it actively researched and developed the automated review and approval model and intelligent post-lending risk control system, to enhance the capabilities in risk warning, proactive disposal and risk control, refine loan repayment methods, strengthen the monitoring over the flow of loan funds, properly carry out the inspections during and after lending, and perform internal control and compliance management, to achieve the decline in both NPL balance and ratio for inclusive financial business. In order to support the development of inclusive finance, the Bank continued to strengthen positive incentives and expand policy support and resource input by means of separate credit planning, enhanced performance appraisal, profit subsidies for assessment, allocation of special expenses, implementation of differentiated provisioning policy, prioritized guarantee of credit supply, and assessment exemption for loan-to-deposit ratio.

During the reporting period, the Bank successfully completed the "two increases and two controls" assessment of CBIRC and met the highest assessment requirements of PBOC for targeted RRR cuts periodically. As of the end of reporting period, the balance of inclusive finance loans meeting the "two increases and two controls" assessment requirement of CBIRC[4] reached RMB167.246 billion, an increase of RMB30.893 billion or 22.66% over the end of the previous year, 16 percentage points higher than the growth rate of other loans. The number of customers with outstanding loans was 95,600, an increase of 13,500 or 16.39% from the end of the previous year. The NPL ratio of inclusive finance loans was 0.88%, down by 0.61 percentage point from the end of the previous year. As of the end of reporting period, the Bank's balance of inclusive finance loans in line with the assessment requirements of PBOC on targeted RRR cuts[5] was RMB185.452 billion, an increase of RMB36.495 billion from the end of the previous year, an incremental value accounting for 17% of the Bank's new loans in the first half of the year.

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3 Including Beijing, Shanghai, Tianjin and Chongqing, as well as Hebei, Jiangsu, Zhejiang, Anhui, Fujian, Shandong, Henan, Hubei, Hunan, Guangdong, Sichuan, and Shaanxi.

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

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

3.4.3 Financial Technology and Information Technology

During the reporting period, the Bank continued to increase its investment in basic information technology and accelerated the deployment in areas including artificial intelligence (AI), blockchain, cloud computing and big data, achieving remarkable results. In the application of AI, the "CITIC Brain" platform completed a number of upgrades and improvements such as batch model interface design and system expansion. Currently, it supports many new technologies such as machine learning, deep learning, graph computing, and natural language processing. So far, 68 AI models have been completed, of which 42 AI models have been put into production. As for the application of blockchain, the Bank, in cooperation with other financial institutions, established the largest trade financing blockchain cooperation platform in the domestic banking sector. During the reporting period, the cooperation ecology further expanded. Meanwhile, the Bank's supply chain financial platform based on blockchain was applied, forming a new model for accounts receivable financing. In the development of cloud computing infrastructure, the financial-level distributed database jointly developed with ZTE and with a number of patents passed the commercial database evaluation of the national evaluation agency, "China Academy of Information and Communications Technology", with full scores. As of the end of reporting period, the Bank's X86 server deployment accounted for 92% of the total, and the new systems were 100% deployed on the CITIC cloud, with the system deployment efficiency increasing by 30% year-on-year. With respect to the R&D and application of big data, the Bank upgraded and expanded its big data platform. The storage capacity and computing capacity of the upgraded platform increased by 100% and 80% year-on-year. Now it could support 18 technical components and 35 business applications, processing nearly 5,000 model operations and 30 million transaction messages every day, strongly backing up the innovative applications such as the Bank's centralized operation platform, real-time risk control for all channel transactions and the Bank's performance management system.

During the reporting period, the Bank accelerated the digital transformation and application of financial technology, and comprehensively enhanced the market competitiveness of retail banking by enabling finance with technology and by innovating intelligent retail banking business models and channels. During the reporting period, the Bank vigorously enhanced the customer management capacity of mobile banking App, pushed the transformation of retail customer management models, and reconfigured business processes, products and services, to improve user experience in an all-round way. It promoted the mobile banking App functions including taking a queue number by scanning code, taking a queue number at outlet, application for card enabling, and appointment for cash withdrawal, to build a cardless service ecosystem integrating mobile banking App and offline outlets. The application of big data and AI technology was enhanced, which strengthened the automated precision marketing to long-tail customers, achieved online and offline collaborative marketing to high-value customers, and realized fission marketing for existing and potential customers through social media sharing and dissemination.

The Bank actively explored and practiced financial technology and continuously strengthened the deep integration and innovation of financial technology and credit card business. Since 2017, the Bank has independently developed and designed a new-generation core system for credit cards, to steadily boost system improvement and upgrade in terms of capacity, performance and functional scalability. Currently, the project has been basically ready for production. By integrating quality resources from multiple channels, the Bank successfully built an integrated marketing platform, which effectively improved the cross-marketing capability of retail banking and credit card business. According to different customer group labels and in combination with AI machine learning, products and services were recommended more accurately under the differentiated, intelligent and scenario-based applications. Besides, the Bank constantly explored the scenario-based application of AI smart outbound calls, covering 40 scenarios including call verification, call reminder, document update and voice navigation. With customers as the center and technology as the driving force, the Bank has created excellent financial service experience for customers.

Focusing on the key words of "all-around acceleration" for information technology, the Bank sped up the improvement of organization, improved processes, and continuously enhanced technological support, achieving remarkable results. During the reporting period, the Bank completed the combing, integration and improvement of internal organization structure and processes for the Information Technology Management Department, Software Development Center and Data Center of the Head Office. The number of on-the-job technical staff of the Head Office soon exceeded 1,000. It trialed the whole process acceleration of information technology in full, raising the working efficiency by more than 20%. The pilot programme for three major models of IT tribal mechanisms covering stationing, integration and contracting was upgraded and implemented in an all-around manner, shortening the average project delivery cycle by 30%. The migration of more than 1,200 featured branch applications and the centralized cloud deployment of the Head Office were completed one year ahead of schedule. The main intensive operation and maintenance pilots for the whole bank's network monitoring and events were accomplished, and 60% of branch Management Information System (MIS) was migrated into the cloud. In addition, a number of key products and systems regarding centralized operation, intelligent marketing, open banking and inclusive finance were put into operation, which strongly supported the business development, transformation and upgrading of the whole bank.

3.4.4 Measures Adopted in Response to New Asset Management Regulations

Since the issuance of new asset management regulations[6], the Bank has strictly followed relevant requirements, accelerated the rectification of wealth management business, and promoted the transformation of asset management business, with the adoption of systematic measures. First, a leading group for asset management business transformation with a senior management member serving as the group leader was established, and the division of responsibilities of various departments in the transformation of asset management business was defined from the strategic perspective of the Head Office, to coordinate the allocation of resources and facilitate the strategic arrangements on asset management. Second, a transformation plan for asset management business was formulated, to comprehensively advance transformation work including corporate restructuring, product system transformation, investment and research system development, customer stratification management, IT system development and talent team building, and endeavor to create reliable boutique asset management business. Third, more NAV products were issued, cash management products were promoted, trust products were improved, active management products were strengthened, and passive products were refined, with the focus on the introduction of new NAV products, such as "Tiantianli", medium and short-term bonds, and "Hexin" series. As a result, the proportion of NAV products increased rapidly. As of the end of reporting period, the balance of NAV wealth management products of the Bank was RMB473.592 billion, accounting for 45.70% of non-risk-bearing wealth management products and 44.65% of the total wealth management products. Fourth, the new-generation asset management system was built at a faster pace, to enhance the technical support for asset management business. An ecosystem of "digital asset management + intelligent innovation" was established, to reduce the investment decision-making costs by means of robo-advisor. New technologies such as big data were utilized to strengthen risk prevention and control, to drive the transformation of business models by leveraging digital transformation. Fifth, the building of risk management system was enhanced, and the "Three Defense Lines" for risk management were strengthened, to effectively identify, measure, assess and report on credit risk, market risk, liquidity risk and operational risk. Moreover, risk screenings were properly conducted in a secure and orderly manner, plus classified implementation and dynamic adjustment, to develop a resolve plan based on the principle of "one policy, one account". Sixth, the institutional system was improved. Major business processes and operational norms on products, investment, transactions, information disclosure and risk compliance were comprehensively standardized, with the establishment of regular and irregular internal regulation review mechanisms, to ensure that all rules and policies could be executed in accordance with laws and regulations.

According to the requirements of new asset management regulations, the Bank drew on domestic and overseas advanced banking experience in the development of asset management business, endeavoring to create reliable boutique asset management business on the basis of returning to basis of financing, serving the real economy and fulfilling its fiduciary responsibility. The Bank will steadily advance the establishment of wealth management subsidiary, accelerate the transformation to NAV products, properly dispose of existing assets, and promote the stable and sustainable development of wealth management business. With respect to the disposal of non-standardized assets, the Bank will let the the non-standardized assets with maturity date within the transition period naturally expire on their maturity dates. For long-term non-standardized assets, the Bank will dispose of such assets by means of undertaking with new products, recovering in advance, market-based transfer and moving them back to the balance sheet. As of the end of reporting period, the Bank's existing non-standardized assets amounted to RMB244.991 billion, accounting for 4% of the Bank's total assets as at the end of last year, which met regulatory requirements.

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6 A series of regulatory documents issued by the PBOC, the CBIRC and other regulators successively such as *the Guiding Opinions on Regulating Asset Management Business of Financial Institutions and the Measures for the Regulation of Wealth Management Business of Commercial Banks* (collectively "the new regulations on asset management").

3.4.5 Disposal of NPAs (Non-Performing Assets)

During the reporting period, the Bank further strengthened the risk prevention and control as well as NPA management, which further refined the disposal structure. On the premise of ensuring that the quality of the Bank's assets was up to standard, the Bank accumulatively disposed of RMB35.43 billion principal of NPLs during the reporting period, a decrease of RMB4.579 billion year-on-year. RMB27.043 billion of write-off resources were occupied, down by RMB2.668 billion from the same period of last year, which was the first year-on-year decrease in the amount of disposed principal of NPLs in the past few years.

In response to the call of the CPC Central Committee and the State Council, the Bank attached great importance to debt-to-equity swaps. By taking the measures such as the establishment of a debt-to-equity leading group, formulation and revision of management measures and organization of project implementation, the Bank promoted debt-to-equity swaps and actively reduced corporate leverage in an orderly manner, to prop up the development of the real economy.

As of the end of reporting period, the Bank carried out debt-to-equity projects worth approximately RMB3.99 billion. Later, the Bank will actively facilitate the contract signing for reserve projects. For the debt-to-equity swap business in the second half of 2019, the Bank will push forward active debt-to-equity swaps with the focus on high-quality enterprises, and reinforce project reserves by selecting high-quality underlying assets, with the expectation that value-added withdrawal through transfer in the capital market or primary market after three or five years will be achieved. In addition, the Bank will further review the debt-to-equity business process and formulate the *Measures on Post-investment Management for Market-based Debt-to-equity Swaps* and relevant rules based on the existing polices, to further tighten up the post-investment management for market-based debt-to-equity swaps, and propel healthy business development.

3.5 Business Overview

This section analyzes all data and information from the Bank's perspective.

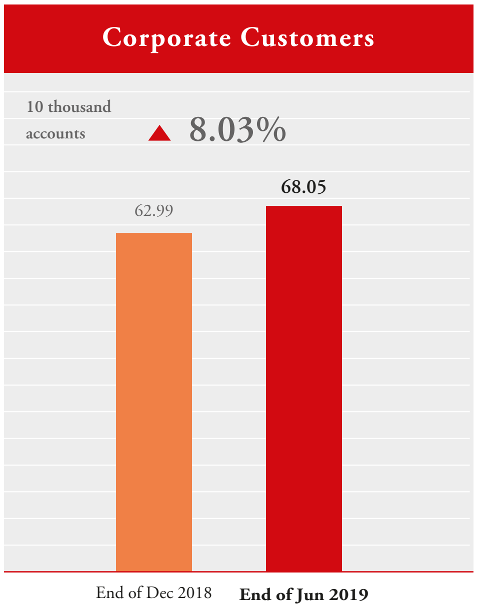
3.5.1 Corporate Banking Business

During the reporting period, the Bank continued to promote the transformation of the corporate banking business effectively in accordance with the arrangement of its 2018-2020 development plan. The Bank kick-started the integrated construction of corporate customer service on a full scale. On a customer-centric basis, it created a corporate customer marketing service system in which "the customer departments lead marketing, product departments follow with specific plans and the middle and back offices provide support", in a bid to enhance the capability of integrated corporate customer services featuring "management of all customers, interaction of all factors, management of entire process, marketing of all products, penetration into all channels and collaboration among all institutions". The Bank boosted the leading role of customer departments, intensified services and marketing for basic customers and effective customers. The customer base has been further cemented. The Bank continued to optimize the industrial and regional structure of credit, strengthened tiered and classified management of credit customers, increased low-price credit supply to high-quality customers and further improved the system of risk control policies and procedures. During the reporting period, the Bank led the industry by size of corporate deposits and effectively managed and controlled the cost of corporate deposits.

The Bank realized RMB44.467 billion net operating income from its corporate banking business for the reporting period, up by 8.43% year on year, representing 50.25% of its total net operating income. This amount included RMB7.632 billion net non-interest income from corporate banking, representing 21.94% of the Bank's total net non-interest income.

3.5.1.1 Corporate Customer Management

During the reporting period, the Bank achieved fairly good results in managing its strategic customers and institutional customers. As at the end of the reporting period, the Bank recorded 680,500 accounts of corporate customers in total, an increase of 50,600 accounts over the end of previous year, and an increase of 8,405 accounts of basic customers and 267 accounts of effective customers year on year.



Management of Strategic Customers

The Bank accelerated integrated management of strategic customers. The customer departments took the lead in providing strategic customers with high-quality comprehensive financial solutions. The Bank advanced the "Head Office to Head Office" business model and deepened the comprehensive cooperation with the headquarters and subsidiaries of a number of key strategic group customers. The Bank pursued chain marketing toward strategic customers. Bulk customer acquisition and cross-marketing were carried out around strategic customers in such biospheres as the industrial chain, fund chain and equity chain, which effectively enhanced the cooperative adhesion and overall contribution of strategic customers. Through in-depth industrial specialized marketing, the Bank fostered specialized management teams for internet, equipment manufacturing, automobile and other fields, provided tailor-made comprehensive solutions for specific industries and further improved the industrial specialized service level.

During the reporting period, the Bank's daily average balance of deposits from strategic customers stood at RMB947.104 billion, an increase of 4.97%[7] over the previous year; and operating income reached RMB15.975 billion, an increase of 5.55% year on year. As at the end of the reporting period, the Bank's balance of loans to strategic customers stood at RMB807.464 billion, an increase of 5.10% over the previous year, showing good overall loan quality.

Management of Institutional Customers

The Bank unleashed its distinctive strengths in institutional business, established the "2-3-4"[8] operating philosophy and built a "9-4-1"[9] institutional business operation system. During the reporting period, the Bank further deepened cooperation with institutional customers at all levels. The Bank signed the Cooperation Agreement on Veterans Services with the Ministry of Veterans Affairs, renewed the strategic partnership agreement with China Tobacco, entered into strategic cooperation agreements with local governments of Urumqi, Hangzhou, etc. and secured important qualifications and accounts in a wide spectrum of fields, including public finance, social security, tobacco and housing. Riding on the development opportunities available from "Internet + Government" and inclusive finance, the Bank strengthened the push for products including "Party Dues Connect" and the "Smart Payment" platform for education and "Tobacco ePayment" and expanded the coverage of products, offering payment management and other comprehensive financial services to institutional customers and the general public that these customers serve, which effectively enhanced customer cooperation viscosity.

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7 Deposits of strategic customers are counted according to the list of strategic customers adjusted and confirmed by the Bank. To boost data comparability, relevant growth rates are adjusted according to changes in the scope of customers.

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

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

3.5.1.2 Corporate Deposit and Loan Business

Corporate Deposit Business

The Bank actively consolidated resources to advance its corporate banking transformation. The Bank exerted every effort to develop transaction banking, improve the capability of integrated customer management and take comprehensive measures to pursue solid growth in corporate deposits, and the cost of corporate deposits was managed and controlled effectively. As at the end of the reporting period, the Bank's period-end balance of corporate deposits stood at RMB3.05 trillion, an increase of RMB272.247 billion over the end of last year. The average daily balance of corporate deposits was RMB2.88 trillion, up by RMB101.034 billion over the end of last year. The balance of structured deposits accounted for 12.14% of the total, a relatively low level among joint-stock banks. The cost rate of its corporate deposits was 2.01%, up by 0.12 percentage point compared with the end of last year.

Corporate Loan Business

In response to the national development strategies, the Bank actively supported the private sectors of the real economy, seized opportunities in the state striving for new growth engines and industrial upgrading and stepped up support for the "three big, three high, three new"[10] industries. New loans were mainly targeted at industries in the "active support" and "optimize and adjust" categories. During the reporting period, the balance of loans to those industries in the "active support" and "optimize or adjust" categories such as the pharmaceutical, business services and railway and road transportation sectors increased by a combined amount of RMB50.682 billion over the end of the previous year. In contrast, industries in the "strict control", "reduce" and "exit" categories such as the low-end manufacturing and over-capacity sectors recorded a combined decline of RMB7.004 billion compared with the end of the previous year. The mix of corporate loans was further optimized. As at the end of the reporting period, the Bank's balance of corporate loans stood at RMB1.99 trillion, an increase of 3.78% over the end of previous year.

3.5.1.3 Key Corporate Businesses

Transaction Banking Business

Oriented to "distinctive, scenario-specific and platform-based" product development, the Bank endeavored to develop a comprehensive transaction banking service platform and continued to enhance the service capability and customer experience in corporate electronic channels, including corporate online banking, bank-enterprise direct connect and mobile banking. In pursuit of "bigger increment and better stock", the Bank continued to increase the activity level of transaction banking customers and promote the steady growth in transaction banking business. The Bank vigorously advanced the online transformation of trade finance, set up supply chain and e-commerce scenarios and developed innovative products in the fields of supply chain finance, bill and e-commerce finance, etc. As one of the first pilot banks for the CPPAY program of Shanghai Commercial Paper Exchange Corporation Ltd., the Bank strove to build a corporate online financing platform and enhance its capability of integrated customer services.

As at the end of the reporting period, the Bank recorded 527,700 accounts of subscribed customers in transaction banking, a growth of 73,300 accounts or 16.13% over the end of the previous year. The Bank registered 75,700 accounts of subscribed customers in electronic bill of exchange business, a growth of 19,400 accounts or 34.46% over the end of the previous year. For the reporting period, transaction banking completed 45.1114 million transactions, an increase of 42.80% year on year; trade finance recorded RMB50.416 billion in accumulated financing and 1,218 effective accounts, an increase of 416 accounts or 34.15% year on year.

10 The "three big, three high, three new" refers to "big culture, big health and big environmental protection", "high tech, high-end manufacturing, high quality service and consumption industries", and "new materials, new energies and new business models".

As a "big single product" of corporate banking at the Bank, auto finance has remained a market leader since the Bank introduced the business in 2000, the first to do so industry-wide. Over these years, the Bank completed over RMB4 trillion of financing to auto dealers and partnered with nearly 60 automakers. As at the end of the reporting period, the Bank's auto finance business recorded cumulative financing of RMB135.494 billion to 3,389 auto dealer partners, whose deposits with the Bank averaged RMB90.687 billion a day with an overdue advance ratio of merely 0.11%.

Investment Banking Business

The Bank took investment banking business as an important support for implementing the strategy on becoming the company offering the best comprehensive financial services and implemented the "light and strong" strategic guidance. With the orientation of "returning to the basics of financial services and serving the real economy", the Bank vigorously developed such businesses and products as bond underwriting, finance for mergers and acquisitions (M&A), syndicated loans, and investment-lending interaction. As a result, its investment banking maintained a steady and relatively fast pace of development.

The Bank vigorously promoted key products including bond underwriting and syndicated loans. For the reporting period, the Bank underwrote more than RMB206.113 billion of debt financing instruments, a new record high compared with the same periods before, ranking sixth market-wide[11]. Innovative bond products were issued, including the RMB3 billion "military-civilian integration" special bond, the first of its kind nationwide. The Bank vigorously developed syndicated loans business, led the implantation of an RMB10.480 billion key syndicated loans project, receiving the "Best Performance Award for Syndicated Loans" from the China Banking Association. The Bank realized RMB4.766 billion net operating income from its investment banking business for the reporting period.

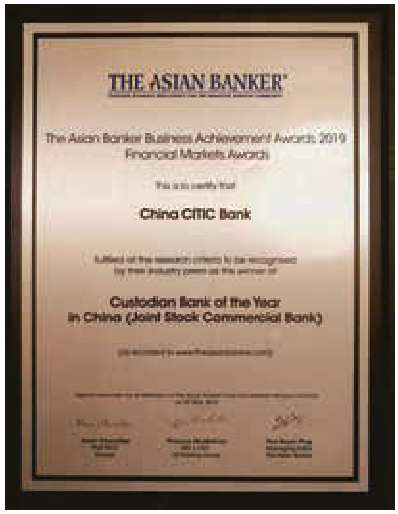
International Business

Actively implementing the Renminbi internationalization, Belt and Road Initiative, free trade zone construction and other policies, the Bank's international business earnestly carries out the 2018-2020 development plan of the Bank, adheres to the basics of financial services, and emphasizes coordinated development of scale and efficiency. During the reporting period, the Bank's forex purchase and sale recorded USD64 billion, forex receipts and payments registered USD108.9 billion and cross-border Renminbi receipts and payments reached RMB149.9 billion, all leading joint-stock banks. The Bank issued letter of credits worth USD320 million on an agency basis, up 148.7% year on year. Under the "settlement + financing + transaction" business mode, the Bank developed and strengthened large single products, explored and expanded the customer base of international business, broadened service channels and enhanced comprehensive financial service capability. It strengthened financial support for the Belt and Road overseas projects through export credit loans, project letters of guarantee and other financial instruments. The export credit loan projects of the Bank involved countries along the Belt and Road, including those in Southeast Asia, Africa, Central and Eastern Europe and Central Asia, and covered fields like highway, railway, utilities, airport, port, and electricity. Shanghai Branch and Haikou Branch of the Bank have successively obtained the qualification for FT account[12] business. The on-balance-sheet FT account assets and liabilities in local and foreign currencies of Shanghai Branch increased by 32% and 72% respectively over the end of last year. Moreover, the Bank actively carried out cross-border e-commerce business, launched online automatic forex receipt/payment and settlement/sale in cross-border e-commerce businesses for third-party payment institutions, foreign trade comprehensive service enterprises and market procurement business, and provided customers with online financial services such as international settlement, forex receipt and payment, forex settlement and sale, forex quotation push, fund clearing and declaration of balance of international payments.

11 Ranking based on Wind Info data.

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

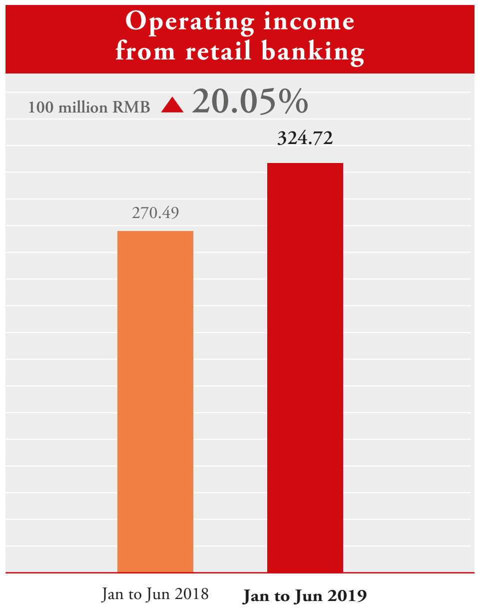
Asset Custody Business



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

During the reporting period, the Bank was short-listed as the custodian for the central occupational annuity plan and 11 provincial-level occupational annuity plans of Liaoning, Shaanxi, Jiangxi, Gansu, Anhui, Ningxia, Beijing, Hubei, Henan, Qinghai and Xinjiang Production and Construction Corps, an achievement with profound social impact and great strategic significance. For the reporting period, the Bank realized RMB1.625 billion of income from custody business, accounting for a stable percentage of its fee-based income. The custody scale rose to RMB8.78 trillion, up by RMB341.9 billion over the end of last year. The custody accounts continued to beef up deposit growth, recording an average daily balance of RMB175.1 billion.

3.5.2 Retail Banking Business



In the context of the technological advancement, user behavior changes and intensifying competition in the wealth management industry, the Bank's retail banking business remains customer-centric to create wealth value and build a bank with warmth for customers. The Bank's retail banking pursues digitally driven development to build an open and connected biosphere, and strives to build a business system integrating customers, products and channels. It made continuous efforts to develop unique products such as Xinjin Bao, robo-advisor, going abroad finance, family trust, carte blanche asset management, mobile banking and credit card, and prioritized the advancement of three major business areas, i.e., asset business, wealth management and payment settlement. With innovations made to mobile channels and customer acquisition models, the Bank sustained relatively fast growth of its retail banking business while constantly upgrading customer management and service experience.

For the reporting period, the Bank's retail banking business recorded net operating income of RMB32.472 billion, a growth of 20.05% year on year, representing 36.70% of its total net operating income. Non-interest net income from retail banking recorded RMB22.811 billion, an increase of 18.17% year on year, accounting for 65.58% of the Bank's net non-interest income. Credit card business contributed RMB18.371 billion to total net non-interest income from the retail banking, accounting for 52.82% of the Bank's total net non-interest income, while income from agency business stood at RMB2.096 billion, up by RMB635 million or 43.46% year on year.

3.5.2.1 Retail Customer Management

The Bank expanded the "increment" through integrated marketing including customer acquisition, activation and conversion, and strengthened the "stock" through comprehensive customer management, achieving qualitative and quantitative improvement in the customer base through systematic management and service of retail customers. As at the end of the reporting period, the Bank recorded 95,047,600 accounts of retail customers, a growth of 7.62% over the end of the previous year; and 830,600 accounts of medium-to-high-end customers[13], representing a growth of 13.02% over the end of the previous year.

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

The Bank continued to strengthen management of three major customer groups, i.e. elderly customers, female customers and users of going abroad financial services. With a focus on customer digitalization, product portfolios and platform-style channels, a uniform customer group service system was built to shape a closed loop of customer growth. All the three customer groups saw profit growth and brand enhancement. As at the end of the reporting period, the Bank recorded 12,643,300 accounts of elderly customers[14], a growth of 8.27% over the end of the previous year; 14,701,200 accounts of female customers[15], representing a growth of 9.83% over the end of the previous year; and 6,224,900 accounts of going abroad financial service users, an increase of 9.92% over the end of last year.

The Bank deepened interaction between corporate and retail banking segments, strengthened intra-group synergies, realized sharing of high-quality resources and strategically developed the agency salary payment business. As at the end of the reporting period, the Bank recorded 3.88 million valid accounts of customers receiving its agency salary payments through such interaction; and registered corresponding RMB200.1 billion retail AUM for these customers. The Bank newly acquired 1,853 accounts of new base corporate customers[16].

3.5.2.2 Personal Deposit and Loan Businesses

Personal Deposit Business

Starting from customer needs and experience, the Bank continued to focus on product sales, marketing and channel expansion and pushed for the growth of personal deposits by multiple measures. In terms of products, the Bank made innovative improvements in product features to drive the expansion of deposits. The Bank continued to improve liability products and brought online some key product features, such as transfer of structured deposit and dual-currency portfolio plan, in a bid to improve asset allocations for customers and meet their liquidity demand. The Bank continued to roll out online customer balance statement, e-commerce housekeeper and some other innovative products sold in a scenario-specific manner to meet customer needs under various scenarios. In terms of marketing, the Bank carried out fine-grained management, strengthened process management and control and enhanced its capability of customer acquisition through key channels, e.g. going abroad financial services, credit card conversion, industrial customer acquisition, agency payment and payment settlement. Through "scenarios + products + marketing" integration, the Bank increased the customer account balances in all channels to drive deposit growth. As at the end of the reporting period, the Bank's balance of personal deposits registered RMB713.187 billion, an increase of 20.86% over the end of the previous year, breaking the mark of RMB700 billion for the first time and hitting a new all-time high.

Personal Loan Business

In active response to the policy orientation of the government, the Bank vigorously supported development of the real economy and private economy. Personal loan business achieved coordinated development in terms of profitability, quality and scale. Based on the standard personal loan product system, the Bank further optimized the processes and functions for basic products such as mortgage loans, unsecured loans and pledge loans. The Bank tapped deep into customer demand and provided financing services around real-world scenarios and purposes. In terms of personal business loan, the Bank facilitated the development of small and micro businesses in the real economy by improving product policies and credit features. In terms of online unsecured loans, the Bank actively developed the "Xin Miao Dai" (meaning CNCB instant loans) through mobile banking and other light channels, providing retail customers with easier access to online loan services.

The Bank continued to comply with the government requirements on property regulation and control at all levels and conducted its housing mortgage business accordingly. As at the end of the reporting period, the Bank recorded RMB716.265 billion in balance of home mortgage loans, a growth of RMB87.050 billion over the end of the previous year, with the year-on-year growth rate being 1.5 percentage points higher than last year; the Bank's balance of personal loans (excluding credit card) was RMB1,116.129 billion, representing an increase of 9.80% over the end of the previous year. During the reporting period, the weighted average interest rate of newly granted loans stood at 6.62%, a rise of 0.42 percentage point from the end of last year.

14 During the reporting period, the Bank reviewed elderly customers data and adjusted the comparison standard accordingly.

15 The Bank adjusted the age band of female customers from 35-49 years old to 30-49 years old in the reporting period.

16 Refers to customers each having at least RMB10,000 daily average account balance with the Bank.

3.5.2.3 Key Businesses of Retail Banking

Wealth Management Business

The Bank enhanced innovation in response to market changes and in line with customer needs. These efforts contributed to relatively rapid growth of its wealth management business. In terms of bank wealth management, the Bank tried its best to push forward the transformation towards NAV products in accordance with the new regulations on asset management, recording a 21.37% growth in the scale of existing NAV personal wealth management products by the end of the reporting period compared with the end of last year. In terms of agency fund sale, the Bank reasonably allocated debt and equity products for customers in line with changes in market conditions, achieving a 140.2% year-on-year increase in the sale of non-money market funds. In terms of agency insurance sale, the Bank devoted itself to further improving the non-government elderly care and medical care systems and continuously met customers' demand for insurance. As at the end of the reporting period, the Bank recorded RMB18.767 billion in total agency insurance sales, up by 148% year on year.

During the reporting period, the Bank continued to develop the robo-advisor platform. The Bank improved "CITIC Robo-Advisor", providing customers with such functions as allocation of general-category assets advice, AI-based recommendation of fund portfolios, smart co-investment, adjustment and optimization of positions, monthly investment reporting and fund diagnosis. During the reporting period, the portfolio's return was positive. In March 2019, the Bank's big single product Xinjin Bao added a new member, Xinjin Bao Daily Profit, to its family. As a money-market wealth management product featuring 7*24 instant redemption, automatic balance debit for purchase and consumer payment, Xinjin Bao Daily Profit effectively met the customers' demand for cash management and won full recognition among customers, with its AUM expanding steadily since inception and hitting RMB27.450 billion at the end of the reporting period.

As at the end of the reporting period, the retail customers of the Bank recorded total AUM balance of RMB1,977.470 billion and an AUM balance of RMB956.173 billion for VIP retail customers at the Bank, an increase of 10.87%[17] and 13.10% over the end of previous year, respectively. For the reporting period, daily average AUM balance stood at RMB1,903.020 billion, up by 12.91% compared with that of last year.

Private Banking Business

Staying true to the business philosophy of "guarding the warmth of inheritance with good faith", the Bank's private banking remained positioned as "a profit center that integrates management and operation with management at higher levels and operation at lower levels". The Bank strove to establish a system of private banking services with "good taste, high quality and strong brand", enhance its ability to create value and compete and establish industry leadership in private banking service.

The Bank's private banking established a service alliance system featuring "customer-oriented integration of resources, sharing of customer resources" to address the comprehensive service needs of individual, families and businesses of private banking customers. Beginning with family trust and discretionary asset management, the Bank integrated resources to provide customized services by introducing tax and legal expert resources, thus boosting customer adhesion and continuously unleashing the value contribution of customers. As at the end of the reporting period, the Bank recorded 37,900 accounts of private banking customers, an increase of 4,125 accounts or 12.20% over the end of the previous year; and an AUM balance of RMB522.443 billion for its private banking customers, up by RMB62.261 billion or 13.53%[18] over the end of previous year.

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17 As the Bank adjusted the scope of customer assets under management during the reporting period, the relevant data was adjusted accordingly.

18 As the Bank adjusted the scope of assets under management during the reporting period, the relevant growth data was adjusted accordingly to boost data comparability.

Credit Card Business

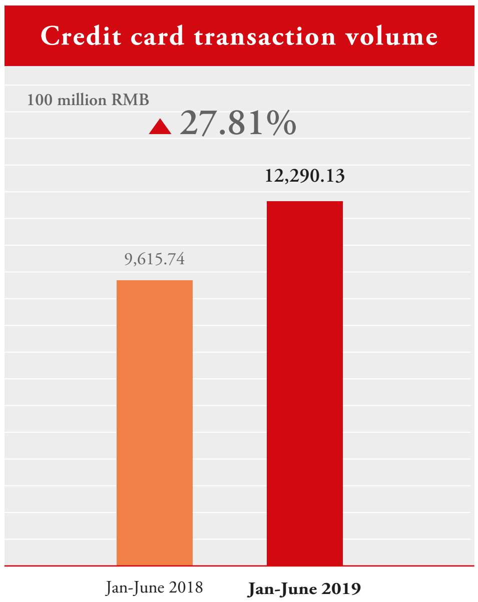
The Bank attached great importance to the construction of consumption scenario ecospheres. The Bank had work persistently to fortify its in-house platform on an innovation-driven basis, and provided multi-dimensional product solutions under cross-sector cooperation scenarios thus to provide excellent customer experience with higher-quality services.

The Bank improved its in-house credit card platform through continuing iteration of the "Mobile Card Space APP" features, betterment of "CITIC Pay"[19] product and smart payment channels and launch of the "universal online payment" and "hybrid payment" features. In addition, the Bank continued to improve the payment experience of customers by providing bank-side quick card authorization for main online shopping scenarios, including Alipay, JD Pay and Meituan Pay, achieving solid improvements in customer experience, user management and traffic monetization. The Bank stepped up efforts to build Internet platforms, expanded the matrix platform layout farsightedly, further diversified the platform resources for credit cards in the fields of official account platform, mini-programs, short videos, We Media, online community and intelligent hardware, expanding business channels and boosting user conversion.

The Bank deepened cross-sector alliance, accelerated the innovative integration of products and scenarios and continued to enrich the "finance +" system. The Bank made active explorations for "finance + entertainment" by issuing the China Literature Qidian Co-branded Card together with China Literature. It deepened cooperation with Tencent by issuing the "Tencent Video Co-branded Card", focusing on top traffic management in an effort to convert Tencent Video's massive membership traffic to high-quality credit card holders. The Bank enriched the cooperation model with Alibaba by issuing the "Fliggy Co-branded Card" to tap into the high-quality business travelers via targeted scenario marketing. The "finance + supermarket" cooperation was improved to develop offline scenarios of partners, enhance the capability of scenario-specific marketing services and further cement the Bank's credit card leadership in business travel and supermarket markets. In addition, the Bank strengthened management of young customers by developing the "Color Cards" series popular among young people, enhancing the brand influence continuously.

The Bank remained self-disciplined and prudent in operation. Taking compliance as the yardstick for measuring performance, the Bank worked hard to fulfill its responsibility for risk management, strictly implemented all regulatory rules and kept improving the internal control and compliance system for the installment business to ensure balanced and solid business development. The installment business structure was further upgraded on a consumption-oriented basis. The product and service offerings were enriched in terms of product features, marketing events and channel contact points, so as to build a full-fledged product system and provide customers with installment service options under a wide variety of consumption scenarios.

As at the end of the reporting period, the Bank had issued a cumulative number of 74.3980 million credit cards, an increase of 10.95% over the end of the previous year, and recorded RMB499.806 billion balance of credit card loans, a growth of 13.07% over the end of the previous year. For the reporting period, the Bank's credit card transaction volume was RMB1,229.013 billion, an increase of 27.81% year on year; its income from credit card business stood at RMB27.793 billion, a growth of 19.14% year on year, including RMB13.430 billion income from installment business.



19 "CITIC Pay" is an in-house comprehensive wallet and cashier product of the Bank's Credit Card Center. It supports shopping, money transfer, red envelop gifting and repayment.

Going Abroad Financial Services

Launched over 20 years ago, going abroad financial services represent a distinctive retail banking brand of the Bank. The Bank is now the authoritative financial institution in partnership with the embassies of 9 countries (including the USA, the UK, Australia and Singapore, etc.) for provision of visa services. The Bank has developed a system of products in five major categories, i.e., foreign currency liabilities, cross-border settlement, visa, credit certification and global asset allocation, serving more than 20 million customers going abroad accumulatively. During the reporting period, the Bank continued to enhance the public influence of the going abroad financial services by publishing the *2019 Blue Paper on Overseas Study* and launching the Overseas Study Carnival Season program. The going abroad financial services sustained stable growth in the size of both overall customer base and VIP customers. In addition, the Bank carried out various featured visa marketing events, including strengthening the UK visa marketing and the simplified UK visa application service. During the reporting period, the Bank processed the UK visa application for over 7,500 customers, which brought RMB2 billion in increase in AUM and RMB0.93 billion increase in deposits. The Bank built a leading system of personal foreign currency products, offering various types of personal foreign currency deposit and wealth management products in multiple currencies. It strengthened customer acquisition and management using the "visa + foreign currency products" model and maintained its brand characteristics and product competitiveness in the field of going abroad financial services.

As at the end of the reporting period, the Bank recorded more than 6.2249 million accounts of customers using its going abroad financial services, with RMB130,000 of average AUM per account and RMB41,800 of average deposits per account, bringing in 134,500 new customers for the Bank. The corresponding balance of personal foreign-currency AUM was USD7.062 billion, up by 12.77% over the end of the previous year. The corresponding balance of personal foreign currency deposits with the Bank reached USD5.917 billion, up by 13.95% over the end of the previous year, ranking No. 2[20] across the market by both volume and rate of growth.

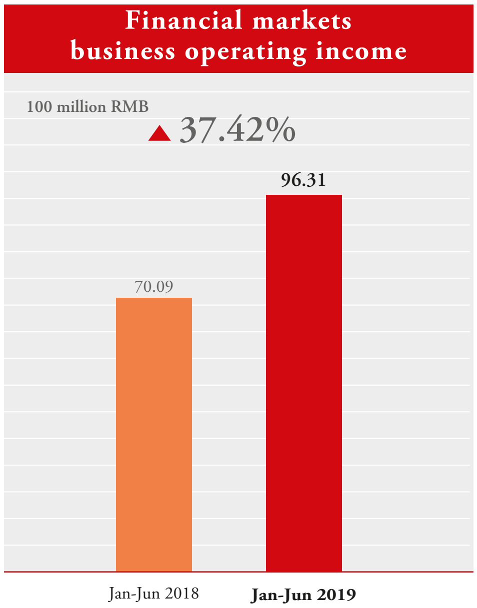
3.5.2.4 Consumer Rights Protection and Service Quality Management

To protect customer rights and interests, the Bank took a range of consumer protection measures in accordance with regulatory requirements. During the reporting period, the Bank further improved the organizational structure for consumer protection, increased the weight of consumer protection in service inspection and assessment, and introduced the mechanism for customer experience officer to listen to the voices of customers, respond quickly and address paint points. Consumer protection assessment was conducted across the board. Efforts were further stepped up on the employee training on consumer protection knowledge and customer education and financial knowledge.

The Bank adhered to the "customer-centric" philosophy and continued to deepen work on customer services. During the reporting period, the Bank continued to promote the "guarding the warmth" unified marketing brand for retail banking. Through in-house trainers of the Head Office, the Bank formulated case study-based publicity and education courses including Financial Fraud Prevention, Know Your Cellphone and Financially Wise Teens, bringing financial knowledge to every customer. The Bank strengthened customer complaint management, launched the service enhancement campaign on all fronts, responded to customer complaints quickly and reduced the number of customer complaints.

20 Data published by PBOC in June 2019.

3.5.3 Financial Markets Business



During the reporting period, the Bank's financial markets business shrugged off the adverse effects of the severe, complicated environment at home and abroad, including the US-China trade war and Baoshang Bank incident[21]. With the three segments shifting from "One Body Two Wings" to "Troika" as stated in the 2018-2020 development plan, the Bank implemented the "8100 Project"[22] with strong resolve to improve the overall contribution of the financial markets segment through aggressive innovation and structural improvement. For the reporting period, the Bank's financial markets business segment recorded operating income of RMB9.631 billion, a growth of 37.42% year on year, representing a 10.88% proportion in the Bank's total operating income. Of this income figure, non-interest income from financial markets business recorded RMB5.865 billion, an increase of 39.65% year on year, accounting for 16.86% of the Bank's total net non-interest income.

3.5.3.1 Interbank Business

To meet the objectives of interbank business defined in the 2018-2020 development plan, the Bank took deepening the integrated customer management as the main mission, actively adjusted the structure of existing assets and improved the yield of incremental assets. All interbank business indicators showed steady growth and comprehensive improvements in the capability of comprehensive financial services. As at the end of the reporting period, the Bank's balance of financial interbank assets (including deposits and placements with, and loans to banks and non-bank financial institutions) recorded RMB178.383 billion, representing a drop of 19.76% over the end of the previous year; and its balance of financial interbank liabilities (including deposits and placements from banks and non-bank financial institutions) amounted to RMB861.760 billion, an increase of 1.38% over the end of the previous year.

During the reporting period, the bill business exhibited the trend of developing towards standard and centralized operation. In response, the Bank leveraged its advantages in centralized operation of its bill business at the Head Office and branch centers. In particular, the Bank continuously accelerated the turnover rate of bills and effectively improved resource use efficiency for economy of scale. It adopted multiple measures at the same time to promote the development of bill discount business according to corporate customers' financing demand, and thereby helped improve financing efficiency for the real economy and markedly enhanced its ability to serve the real economy. During the reporting period, the Bank's volume of bill discount business exceeded RMB509.226 billion, up by 138% year on year, with its market share rising by 3.15 percentage points; the average daily balance of bill rediscounting reached RMB25.095 billion, up by more than 70.99% over the previous year, with all bills from small and micro enterprises. In September 2018, the Bank launched "Xin Miao Tie", an innovative self-service electronic discounted bill product. As at the end of the reporting period, "Xin Miao Tie" recorded over 4,966 accounts of subscribed customers, and more than RMB75.347 billion discounted financing, becoming an important point for the Bank to support inclusive finance. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB468.282 billion, representing an increase of 39.90% compared with the end of the previous year; and the proportion of electronic bill business stood at 99.97%, representing an increase of 0.6 percentage point over the end of last year.

21 On May 24, 2019, PBOC and CBIRC jointly announced a takeover of Baoshang Bank for its serious credit risk to protect the legitimate rights and interests of depositors and other customers.

22 The "8100 Project" refers to the detailed breakdown arrangements that the Bank used to promote the implementation of the 2018-2020 plan. "8" refers to the "eight major projects", namely, the eight major measures of the development plan for 2018-2020, including the regional differentiated development project, the "One Body Two Wings" transformation project, the integrated internationalized operation project, the financial technology innovation project, the "Safe CITIC" project, the refined management project, the human resources reform project, and the Party building and corporate culture construction project. "100" refers to the "100 key tasks", i.e., the 100 major breakdown tasks to promote the implementation of the "eight major projects".

The Bank continued to research and develop new products and optimize exiting functionalities of the "CITIC Interbank+" platform, a key interbank financial service platform, resulting in constant improvements to customer experience. As at the end of the reporting period, the "CITIC Interbank+" platform had 1,380 accounts of interbank legal-person customers, an increase of 13.14% over the end of the previous year, and recorded a transaction volume of RMB785.542 billion during the reporting period, up by 21.15% from last year.

3.5.3.2 Financial markets business

The Bank actively conducted money market transaction businesses such as Renminbi interbank lending, borrowings and bond repos. While meeting the needs for liquidity management, the Bank also improved the operating efficiency of short-term capital. As at the end of the reporting period, the Bank recorded RMB18.38 trillion in total volume of money market transactions. At the same time, the Bank fully leveraged active liability financing instruments such as interbank certificates of deposit. With RMB213.970 billion interbank certificates of deposit issued during the reporting period, the Bank further cemented the sources of active liabilities.

The Bank offered pertinent multi-layer exchange rate risk management solutions to meet customer needs for financing and value preservation, cross-border M&A, hedging forex receipt and payment, and management of Renminbi and foreign currency denominated assets and liabilities through its innovative exchange rate product portfolios including forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped customers achieve value preservation and appreciation of their forex assets. During the reporting period, the Bank completed RMB6.09 trillion forex market making transactions, ranking as the second largest spot comprehensive market maker in the interbank forex market[23].

The Bank closely followed market trends, flexibly adjusted investment durations, emphasized prevention and control of credit risk and kept improving bond asset allocations to improve the investment return on bond assets. As a core market maker for bonds and interest rate derivatives in the interbank market, the Bank actively performed the market-making function to provide basic quotation and liquidity support for the market, further cementing its market leading position in market making business for RMB bonds and interest rate derivatives. In addition, the Bank advanced the "Bond Connect" business in compliance with regulatory policies to provide comprehensive services to the satisfaction of overseas investors.

The Bank continued to improve the precious metal business structure and enriched the corporate and retail product business lines for precious metals transactions. During the reporting period, the Bank added precious metals to the structured deposit business. Its proprietary trading business emphasized diverse trading strategy and band operation, with its contribution to profit rising by 46.90 percentage points over the previous year.

3.5.3.3 Asset Management Business

In active response to changes in the policy environment, the Bank steadily promoted the transformation of its asset management business. In accordance with the policy orientation of "managing other people's wealth on their behalf as entrusted", the Bank further strengthened the ability for active management of wealth management assets and allocation of general-category assets. Its focus was placed on reinforcing investment in standardized debt assets, making appropriate arrangements in equity assets and cross-border market operations, and ensuring successful reduction of existing non-standardized assets or transfer of such assets to standardized assets. At the same time, the Bank continued to promote the restructuring of wealth management business into a corporation, worked harder on investment research, marketing, products, risk control, operations and systems comprehensively, and strove to build a reliable boutique asset management business with unique characteristics.

As at the end of the reporting period, the Bank's existing scale of non-risk-bearing wealth management products recorded RMB1,036.292 billion, up by 12.00% from the end of the previous year, in which NAV products scale further increased to a proportion of 45.70% of the total, an increase of 19.26 percentage points over the end of the previous year. For the reporting period, due to the drop in cost rate of expected return-based products, estimated profits of stock and fund assets and expanding scale of NAV products, the Bank's wealth management business realized income of RMB2.038 billion, an increase of RMB1.382 billion year on year, and generated total yield of RMB21.227 billion for customers, up by 0.25% over last year.

23 Ranking according to data of the China Foreign Exchange Trade System.

3.5.4 Distribution Channels

3.5.4.1 Physical outlets

As at the end of the reporting period, the Bank had 1,410 outlets in 149 large and medium-sized cities in mainland China, including 37 tier-one branches (directly managed by the Head Office), 121 tier-two branches, and 1,252 sub-branches (including 52 community/small and micro sub-branches), plus 1,905 self-service banks, 6,495 self-service terminals and 7,767 smart teller machines. As such, the Bank had developed a diversified outlet pattern that consisted of smart (flagship) outlets, comprehensive outlets, boutique outlets, community/small and micro outlets and off-bank self-service outlets. With its outlets basically covering all large and medium-sized cities in China, the Bank shifted its focus of domestic outlet establishment to layout optimization and profit improvement. Allocation of resources for outlet construction favored developed cities and regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing. At the same time, as an active response to the national "13th Five-Year Plan", the Bank supported the economic development of key areas such as the Free Trade Zones, Special Economic Zones and New Areas.

In terms of the overseas outlets, CNCBI, an affiliate of the Bank, had 37 outlets in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and mainland China. CNCB (Hong Kong) Investment Co., Ltd. had 3 subsidiaries in Hong Kong and mainland China. JSC Altyn Bank had 6 outlets and 1 private banking center in Kazakhstan. In line with its 2017-2020 Plan for Overseas Development, the Bank made active efforts to promote the development of its internationalization. In particular, it continuously improved management frameworks for human resources, businesses, systems, authorization, and performance evaluation of overseas affiliates, and improved the efficiency of feedback on regulators' statistical needs. The London Branch was established and opened for business in the reporting period. In addition, it pushed forward the preparations for the establishment of its Hong Kong branch and the upgradation of Sydney representative office to Sydney branch in an orderly manner.

3.5.4.2 Online channels

Taking mobile banking as the principal channel, the Bank accelerated the coordinated integration of online and offline channels as well as innovative channels for open-ended banking, which effectively supported the supply of nine distinctive products, such as Xinjin Bao and Party Dues Connect. It partnered with travel APPs and airlines to accelerate the construction of biospheres connecting numerous non-financial scenarios. The Bank advanced the digital operation and risk control system development for electronic banking, enhancing its online financial service capacity quickly. Moreover, the Bank sustained rapid development of mobile banking in terms of both scale and quality of customers. As at the end of the reporting period, the Bank recorded 41,157,100 accounts of mobile banking customers, an increase of 4,457,400 accounts or 29.53% over the end of the previous year; registered 9.2486 million monthly active users[24] (MAU) of mobile banking, up 34.38% year on year. Medium- and high-value customers with over RMB10,000 of AUM had an activity rate of 70.62%, up 11.72 percentage points year on year. The volume and value of mobile banking transactions stood at 109 million and RMB4.06 trillion, up 36.09% and 35.96% year on year, respectively. There were 42.4330 million accounts of personal online banking customers, an increase of 4.3841 million accounts or 27.79% year on year. The substitution rate of transactions in electronic channels further increased to 99.27%.

During the reporting period, the hotline of the Bank's Credit Card Customer Service Center received 56,997,400 incoming calls, including 26,598,400 calls transferred to automated voice service and 30,399,000 calls transferred to manual service, achieving a 20-second manual service response rate of 82.54%, a customer satisfaction rate of 98.33%, and a satisfaction rate of 95.16% regarding the handling of customer complaints, and generated total income of RMB4.55 billion under the "service-to-marketing model" in answering and processing incoming calls from customers. By actively making outgoing calls to customers, the Credit Card Customer Service Center proactively provided customer care, telephone notice and other services, communicating with customers by 559,900 person-times in total.

24 Monthly active users (MAU) refer to the number of users using the mobile banking APP in a month.

During the reporting period, the hotline of the Bank's Debit Card Customer Service Center received 30,777,300 incoming calls, including 19,751,600 calls transferred to the Credit Card Customer Service Center, 8,755,600 calls transferred to debit-card automated voice service and 2,270,100 calls transferred to manual service, achieving a 20-second manual service response rate of 89.07%, a customer satisfaction rate of 98.31% and a satisfaction rate of 99.77% regarding the handling of customer complaints. By actively making outgoing calls to customers, the Debit Card Customer Service Center proactively provided customer care, telephone notice and other services, communicating with customers by 349,100 persons in total.

3.5.4.3 Overseas branch business

The Bank's London Branch, after obtaining the approval of the Prudential Regulation Authority and the Financial Conduct Authority of the UK was established and held an opening ceremony on June 21, 2019 (local time) in London for its official opening. London Branch as the Bank's first overseas branch directly managed by the Head Office mainly engaged in wholesale banking. It provided comprehensive financial services including deposits, lending (including bilateral lending, syndicated lending, trade finance and cross-border M&A finance), foreign exchange and payment settlement products, participated in money market and forex trading business and actively carried out fund clearing and asset transfer business with other banks and financial institutions.

During the reporting period, London Branch cooperated extensively with the Bank's domestic branches and overseas peers making breakthroughs in fund clearing, money market, credit asset transfer, cross-border M&A finance, overseas syndicated lending and overseas loan under domestic guarantee. Riding on the strengths of London as an international financial center, the Bank will further develop London Branch into a business center for Europe, Middle East and Africa, a European treasury trading center and international talent development center and CITIC Group's overseas business coordination center.

3.5.5 Subsidiaries and Joint Ventures

3.5.5.1 CIFH

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

As at the end of the reporting period, CIFH recorded HKD352.275 billion in total assets, down by 3.69% from the end of last year, and HKD50.437 billion in net assets, down by 1.18% from the end of the previous year, and a total of 2,155 employees. For the reporting period, CIFH realized net profit of HKD1.559 billion, up by 6.69% year on year.

CNCBI: As at the end of the reporting period, CNCBI recorded total assets of HKD350.619 billion, down by 3.40% from the end of the previous year, and net assets of HKD45.315 billion, down by 1.45% from the end of the previous year. For the reporting period, CNCBI realized operating income of HKD4.249 billion, down by 2.59% year on year, mainly due to a 3.47% decline in net interest income year on year. For the reporting period, CNCBI realized net profit of HKD1.498 billion, down by 7.68% year on year.

As the central government progressively worked out specific measures to implement "the Belt and Road" Initiative and the Guangdong-Hong Kong-Macau Bay Area Development strategy, CNCBI actively leveraged its location advantage to develop its cross-border business with vigor through increasingly close interaction and cooperation with the Bank and CITIC Group. It realized RMB45.1 billion cross-border Renminbi trade settlement in total. With the growing need of mainland Chinese enterprises for overseas financing and rapid growth in cross-border mergers & acquisitions made by such enterprises, CNCBI maintained a strong momentum of development in its debt capital market business, ranking the 9th among all Chinese institutions in Hong Kong in terms of the underwritten amount in the reporting period[25]. For the report period, CNCBI realized HKD194 million commission income from the debt capital market business. In addition, the cross-border business relating to personal and commercial banking showed sustained growth momentum. the number of cross-border customers recommended by the parent China CITIC Bank and the AUM of those customers increased by 11.3% and 23.7% over the end of the previous year respectively.

CIAM: CIAM is a cross-border asset management company. It provides diverse asset management services for investors at home and abroad leveraging on the comprehensive resources and brand strengths of shareholders. CIAM upheld "extension of shareholders" as its principle of development, unleashed its structural strengths and team strengths and actively developed the fine private equity investment business and other distinctive asset management products. During the reporting period, Guangxi Honggui Huizhi Fund Management Co., Ltd., a joint venture of CIAM, was licensed for private equity investment management, and was preparing for the issuance of the Guangxi State-owned Enterprise Reform and Development Fund.

3.5.5.2 CNCB Investment

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

CNCB Investment positions itself as the overseas investment banking platform of the Bank and aspires to develop itself into "the best overseas boutique investment bank". It fully leverages its unique features and advantages that lie in the combination of debt financing and equity investment to engage in licensed investment banking businesses in Hong Kong, such as securities underwriting, securities consulting, corporate financing advisory services and asset management, and conduct cross-border investment and financing business and private equity investment fund management business in mainland China. During the reporting period, CNCB Investment actively pursued business transformation, vigorously developed the licensed investment banking business, and refreshed the record of number of bond underwriting projects implemented, advanced the active asset management business in an orderly manner and accelerated asset allocations in proprietary investment and financing business. It also paced up the mobilization of existing assets, endeavored for stronger risk control and compliance, and optimized regulations and processes. All these contributed to a higher business income and better internal management.

During the reporting period, due to the fluctuations in valuation of some equity investment projects, CNCB Investment recorded net profit attributable to its equity holders equivalent to RMB19 million, a drop of 95.8% year on year; and its net income from licensed investment banking was equivalent to RMB14.42 million, down by 30% year on year. But the total number of new projects to implement bond underwriting rose by 90% year on year. As at the end of the reporting period, CNCB Investment had total assets equivalent to RMB20.750 billion, down by 5.3% from the end of last year. Net assets were equivalent to RMB3.501 billion, up by 1.2% from the end of last year. AUM was equivalent to RMB110.389 billion, down by 5.75% from the end of the previous year.

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

3.5.5.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing was incorporated in April 2015 with a registered capital of RMB4 billion. As an important strategic layout for the Bank to serve the real economy, CITIC Financial Leasing pursues leasing business in the three major areas of "new energy, new materials and new environment" in accordance with the strategy of "professional, market-oriented and international" development.

During the reporting period, in the face of complicated and ever-changing economic situation, CITIC Financial Leasing put "high-quality development" at the core of business, adhered to the green leasing and took measures to prevent risks, ensure compliance and maintain steady development. Thanks to its persistent efforts to forestall financial risks, serve the real economy and deepen reforms, CITIC Financial Leasing steadily improved its operating capability and profitability. As at the end of the reporting period, CITIC Financial Leasing's asset balances in the five areas of clean energy, energy conservation and environmental protection, high-end equipment, people's livelihood and modern transportation accounted for 52.89%, 9.13%, 13.83%, 18.76% and 5.39%, respectively. The balances of green lease assets accounted for a combined 68.52% of the total, an increase of 7.67 percentage points year on year, indicating CITIC Financial Leasing's continuous optimization of business structure and growing influence in green leasing.

As at the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB49.699 billion and net assets of RMB5.711 billion. In the first half of 2019, CITIC Financial Leasing realized cumulative leasing of RMB6.724 billion, net operating income of RMB0.755 billion and net profit of RMB435 million, up by 48.46% year on year. The company recorded 15.96% in return on equity (ROE), 1.76% in return on assets (ROA), 3.38% in ratio of allowance for impairment of loans to total loans and 11.91% in capital adequacy ratio, indicating effective capital management and markedly improved profitability.

3.5.5.4 CITIC aiBank

CITIC aiBank officially opened for business on 18 November 2017. With a registered capital of RMB4 billion, it is an internet bank jointly established by the Bank and Baidu, with the Bank and Baidu holding 70% and 30% of its equity interest, respectively.

During the reporting period, CITIC aiBank furthered the "open banking +" biosphere strategy and got integrated into six categories of scenarios, namely e-commerce, content, rental housing, travel, new consumption and industrial Internet. It had over 80 partners.

During the reporting period, CITIC aiBank actively integrated itself into the biospheres of shareholders and embedded its financial services into Baidu scenarios, gradually shaping a unified account system and financial service system covering Baidu biosphere. In addition, by establishing a financial biosphere, the two shareholders have been effectively linked to create connectivity between CITIC and Baidu scenarios and biospheres. Now "Baidu Flash Pay" has gone live to enable online card issuance, reloading, cash withdrawal and QR code-based payment for purchases, helping CITIC aiBank compete for a share in the mobile payment market. In the reporting period, CITIC aiBank steadily improved its capabilities of technological innovation, risk prevention and control and comprehensive operations, sustaining a good growth momentum.

As at the end of the reporting period, CITIC aiBank recorded RMB44.2 billion in total assets, RMB3.3 billion in net assets, RMB40.9 billion in total liabilities and RMB36.2 billion in balance of loans, including RMB10.1 billion of small and micro loans. The total number of users exceeded 21.88 million, net operating income was RMB1.359 billion and net profit reached RMB55 million. All regulatory indicators met standards. CITIC aiBank received an AAA long-term issuer credit rating.

3.5.5.5 Lin'an CITIC Rural Bank

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

Lin'an CITIC Rural Bank supported the real economy with enthusiasm, and fulfilled its obligations and responsibilities in connection with inclusive finance and the rural revitalization strategy. During the reporting period, Lin'an CITIC Rural Bank introduced a number of innovative financial products, including "loan renewal without principal repayment" and "Fangyidai"[26], to effectively relieve the working capital and cost pressure of small and micro enterprises posed by loan repayment and renewal and address their difficulty in accessing guarantees while keeping risks under control. In addition, Lin'an CITIC Rural Bank increased credit supply to the real economy and met the expected targets of "two increases, two controls" for small and micro enterprises. For the reporting period, the inclusive finance loans to small and micro enterprises grew by 7.51%, 0.11 percentage point above the average growth rate of total loans. The number of accounts for inclusive finance loans to small and micro enterprises rose by 7.16%, 0.26 percentage point higher than the average growth rate of all loan accounts. During the reporting period, Lin'an CITIC Rural Bank made full use of the "pro-agriculture re-lending" to provide financial services in support of agriculture, the rural area and small farmers. As at the end of the reporting period, the balance of pro-agriculture re-lending was RMB70 million and a total of RMB470 million of agro-related loans were issued, benefiting 850 farmers and enterprises.

For the reporting period, Lin'an CITIC Rural Bank realized net profit of RMB19 million, roughly the same as the same period of last year. As at the end of the reporting period, Lin'an CITIC Rural Bank recorded RMB1.604 billion in total assets, down by 2.85% over the end of the previous year; RMB296 million in net assets, up by 2.58% over the end of the previous year; RMB1.194 billion balance of customer deposits, down by 3.79% from the end of last year.

3.5.5.6 JSC Altyn Bank

JSC Altyn Bank was formerly an affiliate of HSBC established in Kazakhstan in 1998. In November 2014, it was wholly acquired by the JSC Halyk Bank of Kazakhstan, the largest commercial bank in the country. On 24 April 2018, the Bank completed the acquisition of a majority stake in JSC Altyn Bank and became the first Chinese bank to acquire bank equity in the countries along the "Belt and Road". At present the Bank holds 50.1% of shares in JSC Altyn Bank. JSC Altyn Bank's Fitch rating was BBB-, the highest rating among all commercial banks in Kazakhstan. During the reporting period, the Bank continued to strengthen business coordination with JSC Altyn Bank and enhanced cross-border business interaction. In conjunction with JSC Halyk Bank of Kazakhstan, JSC Altyn Bank held the China-Kazakhstan High-tech Enterprises Forum in Nursultan, the capital of Kazakhstan, to set up a platform for face-to-face communication among business owners in China and Kazakhstan and contribute to in-depth economic and trade cooperation between the two countries.

China-Kazakhstan High-tech Enterprises Forum

As at the end of the reporting period, JSC Altyn Bank had a share capital of 7.05 billion tenge[27], total assets of 421.019 billion tenge, net assets of 49.418 billion tenge and net profit of 6.853 billion tenge.

26 "Fangyidai" means secured small and micro business loans of which the loan-to-value (LTV) ratio exceeds the required amount. That is, as for small and micro business enterprise loans and personal business loans secured by collaterals, according to the applicant's ability to pay and actual fund demand, the borrower can be granted a loan at a LTV ratio of up to 100% in principle to meet the applicant's business fund demand.

27 The exchange rate of tenge against RMB was 1: 0.018042824 on June 30, 2019.

3.5.6 Comprehensive Financial Services

Staying true to the philosophy of "customer-orientation", the Bank carefully listened to the voices of customers and market participants, strengthened intra-group collaboration, Head Office-branch interaction and cooperation between in-house and external resources in an effort to meet comprehensive financial needs of customers and become the provider of best comprehensive financial services. The Bank made full use of the unique CITIC Group advantages in placing financial and non-financial businesses on an equal footing, devoted itself to deepening intra-group synergy, broadening cross-border synergy, innovating parent-subsidiary synergy, implementing regional synergy, expanding inter-segment synergy and strengthening organizational synergy, continuously enhanced in-depth business cooperation with the subsidiaries of CITIC Group on all fronts and in multiple areas and promoted sustained development of the Bank in coordination.

In terms of intra-group synergy, the Bank takes meeting the non-financial enterprises' demand for comprehensive financial services as one of its missions. For the reporting period, the Bank provided enterprises with comprehensive finance of RMB296.793 billion in conjunction with CITIC Group's financial subsidiaries by means of syndicated loans, bond underwriting, equity financing and private equity investment, up by 9.44% year on year. Due to the lower yield of money market funds and liquidity control, the agency sale of products from CITIC Group's financial subsidiaries fell by 69.55% year on year to RMB94.625 billion. During the reporting period, the Bank jointly managed RMB17.800 billion enterprise annuities in partnership with CITIC Group's subsidiaries, an increase of 7.40% over the end of the previous year, and provided custody services to RMB953.644 billion products of CITIC Group's subsidiaries, down by 15.87% compared with the end of last year.

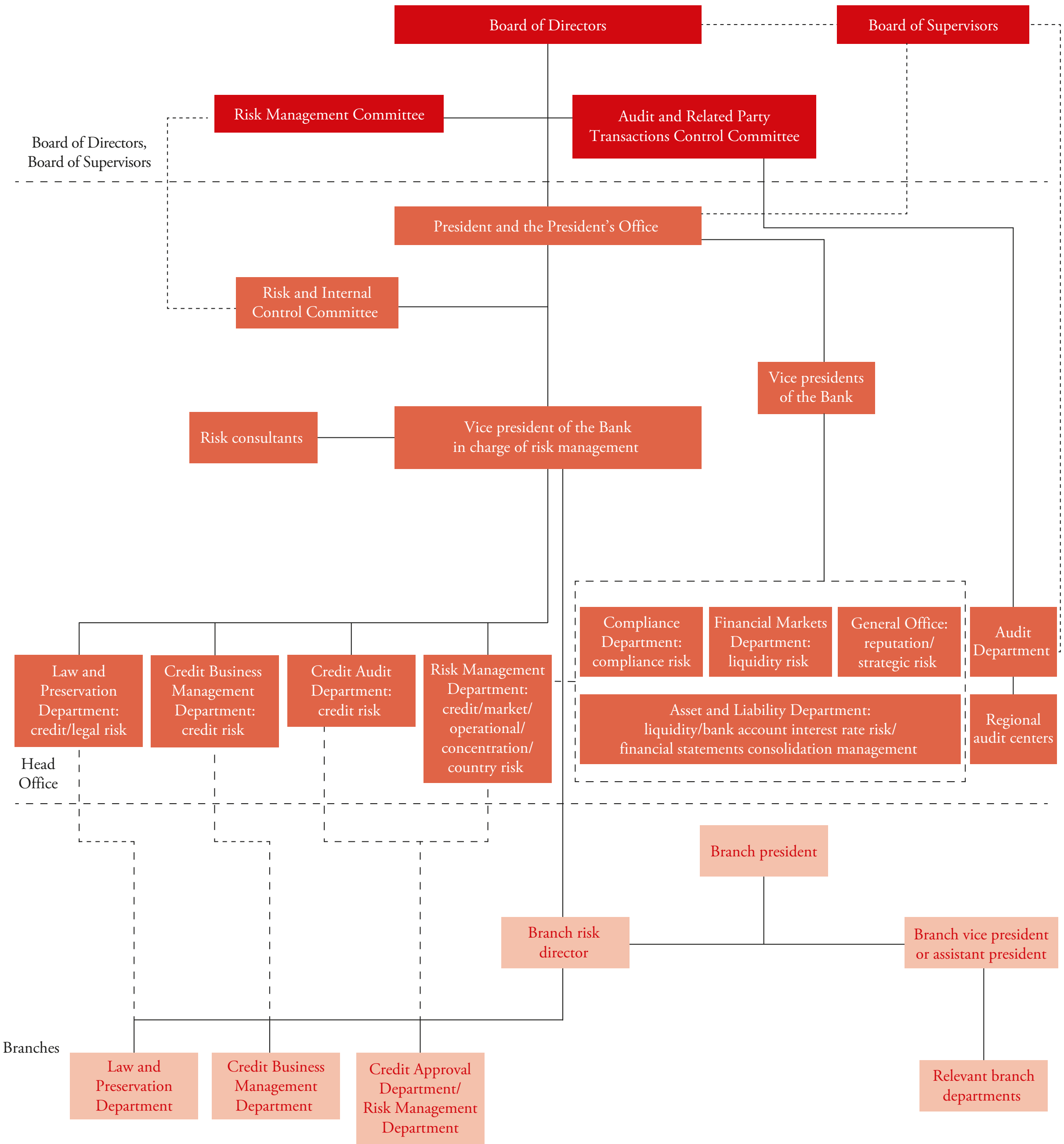
In terms of parent-subsidiary synergy, the Bank integrated the professional and online service resources of CITIC Financial Leasing and CITIC aiBank and strengthened innovation of product and service models to maximize the improvement of customer experience. During the reporting period, in cooperation with CITIC Financial Leasing, the Bank implemented bank-lease projects with the total investment reaching RMB1.648 billion. In addition, the Bank executed one joint project in cooperation with CITIC aiBank, with total investment of RMB0.071 billion.

In respect of cross-border synergy, in line with the general trend of transformation and the requirements of internationalized business operation, the Bank used cross-border synergy as a highlight feature of its services for corporate customers. With CNCBI and CNCB Investment as the major service platform at home and abroad, the Bank expanded its cooperation radius and service contents, providing integrated comprehensive cross-border services for customers. During the reporting period, the Bank's total joint investment in cross-border synergy projects with CNCBI and CNCB Investment was equivalent to RMB90.465 billion.

In terms of regional synergy, the Bank actively implemented the national strategy on regional coordinated development and issued the Work System of the Regional Coordinated Development Committee of CITIC Bank. It established the Regional Coordinated Development Committee and three respective regional coordination leading groups for the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area to coordinate policies and projects. The Bank became the first commercial bank to lend to Xiong'an Group and provided financing support for the Zhangjiakou Winter Olympics projects. Actively responding to the national strategy on regional integration in the Yangtze River Delta, the Bank served enterprises doing business for "agriculture, farmers and rural areas" as well as micro, small and medium-sized enterprises. Leveraging on the advantages of domestic and foreign business interactions and industrial resources of CITIC Group, the Bank constructed a collaborative platform in the Hong Kong and Macao region to comprehensively support the construction of the Guangdong-Hong Kong-Macau Greater Bay Area.

3.6 Risk Management

3.6.1 Risk Management Structure



3.6.2 Risk Management System and Techniques

During the reporting period, domestic and international economic and financial situations went through profound changes and were faced with more uncertain and unstable factors. In this context, the Bank worked harder to study and interpret the economic and financial landscape, earnestly implemented the central government's various policies and provisions, and kept improving the comprehensive risk management system in a move to prevent various risks vigorously. Besides, it went all out to promote the building of a risk and compliance culture, and kept improving various policies and systems with respect to risk management. It stepped up efforts in building teams that safeguarded the "Three Defense Lines", and enhanced the overall risk control capability. While actively practicing the differentiated development strategy, the Bank further improved allocation of credit resources. In the meantime, it took steady moves to streamline the process through which credit was granted to corporate customers, and put the uniform risk management and control mechanism into operation in an orderly fashion. Also the Bank refined the credit approval system, strengthened management of loans close to maturity and enhanced early warning, shored up endeavors to recover and dispose of non-performing assets, accelerate IT system improvement and upgrade, and kept enhancing the integrated evaluation and appraisal system for risk management, so as to consolidate asset quality.

The Bank continued to enhance its capacity for research and development of risk management technology and enhanced the application of risk quantification results. During the reporting period, it continued to carry out independent improvement and verification of corporate, retail and interbank rating models, effectively controlling the risks arising from these models. It steadily promoted the development of the bond rating system, and embedded the credit risk measurement models into the entire process of credit business to make better decisions on risk management. Additionally, the Bank continued to evaluate economic capital with the internal rating approach, to manage allowance for impairment based on the expected loss model, and to strengthen the capacity of branches in risk quantification management. Consequently, the risk quantification management standard of the Bank was raised substantially. During the reporting period, the Bank strictly acted on various regulatory provisions, continued to put the large-value risk exposures under intensified management, and managed to control the limit indicators of these exposures within the scopes permitted by the regulators.

3.6.3 Credit risk management

Credit risk refers to the risk of a bank incurring losses in its business due to the failure of its borrowers or transaction counter-parties to fulfill the obligations specified in relevant agreements or contracts.

3.6.3.1 Credit Risk Management in Corporate Business

During the reporting period, the corporate banking business line of the Bank followed the principle of "exercising good management over existing and new business deals", allocated assets for its corporate business from the dimensions of customer, region, industry, and product, did a good job in refining business structure, highlighting business features, and consolidating business foundation, and enhanced the quality and performance of corporate credit business on all fronts.

In terms of industries, the Bank seized the business opportunities arising from such fields as the supply-side structural reform, the drive to bolster up weak links in infrastructure, the adjustment and upgrading of industrial structure, and the pollution prevention and control, and diverted more credit supply to the industries that were aligned with the orientation of national strategies as well as the areas relating to the "three big, three high, three new". The Bank implemented macro control policies on real estate, to reasonably control loans granting to real estate and strengthen its supports for key industries and weak links in social and economic development.

In terms of customers, the Bank insisted on the "Three Large and One High"[28] customer positioning, took an active part in supporting strategic customers of both Head Office and branches levels, and tapped deep into the potential partnership with premium private listed companies. Centering on strategic customers of both Head Office and branches levels, it endeavored to promote the chain marketing and batch business development campaigns targeted at upstream and downstream small and micro customer clusters of core enterprises in the supply chain. The Bank implemented the national inclusive finance strategy to support private economy and facilitate the development of inclusive business for small and micro enterprise legal persons. While keeping a rigid grip on the access of new customers, the Bank took further steps to bring existing customers under layered and classified management, and stepped up efforts to handle customers that fall under the categories of "reduction" and "exit". At the same time, it strengthened uniform credit management and limit management and control over customers, moderately controlled the concentration of single group customers, and prevented repeated or excessive credit granting.

In terms of products, the Bank attached equal importance to "consolidating the foundation of existing products" and "making new products grow stronger". Taking chain service and cash management as flagship products, it enabled its transaction banking and auto finance brands to grow stronger. In the meantime, it actively participated in processes such as the ownership reform of state-owned enterprises and the "going global" of enterprises, providing customers with innovative products and services in investment banking and asset management. These efforts improved the Bank's capacity for providing comprehensive financing services and generating income therefrom, and led to a reasonable financing structure.

In terms of regions, the Bank implemented the "differentiated and echelon-based" strategy for regional development. Credit resources were preferentially channeled toward the branches located in the key areas designated by national strategies such as the Beijing-Tianjin-Hebei region, the Xiong'an New Area, the Belt and Road Initiative, the Yangtze Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area and the Free Trade Zones, with a view to consolidating the customer base and improving the credit proportion and profit contribution. At the same time, the branches in other areas were supported to dispose of their existing credit risk, transform their business structure at a faster pace, form unique business features, and raise their risk management standards.

3.6.3.2 Credit Risk Management of Personal Loans

To make sure personal loans business could develop in a sound, orderly way and to effectively guard against credit risk, the Bank made full use of scorecards and other retail credit risk measurement models in combination with logicalized business rules to effectively identify and manage credit risk. Specifically, it introduced third-party external data, refined application rules in light of actual business conditions, improved personal credit portraits, and gradually built anti-fraud models for various products to further enhance the credit risk management and control capabilities of personal loan business. By building a personal loan risk forewarning system, it managed to put products, regions, and channels of cooperation under risk management. At the same time, the risk forewarning results produced in the post-lending steps concerning individual loans were fully used to accelerate the upgrade of product policies and processes, and formulate differentiated access rules based on the risk characteristics of products, regions and other aspects.

During the reporting period, while designing the risk access and operational standards for various steps within the product lineup of standardized personal loans, the Bank managed to move the risk management of some flagship products to earlier stages and embed risk control elements in the flow design (application receipt, credit granting and loan disbursement). Meanwhile, it provided business units with standardized work templates, and put credit risk under systematic management and control. As at the end of the reporting period, the Bank's non-performing balance of personal loans (excluding credit card loans) recorded RMB6.119 billion, a drop of RMB555 million from the end of the previous year. The NPL ratio was 0.55%, down by 0.11 percentage point from the end of the previous year. As revealed by these figures, its asset quality improved while maintaining stability.

28 It refers to large industries, large customers, large projects and high-end customers.

3.6.3.3 Risk Management of Credit Card Business

Since 2018, there have been more lenders engaged in cash loans, internet consumer loans, and P2P loans in the market. Debt risks are mounting and the asset quality of “multiple borrowing” customer groups fluctuates sharply. This type of risk tends to contaminate the credit card industry. At same time, the continuous adjustment of industrial structure has undermined the stability of employment and income in some regions and industries. Consequently, some customers become less willing and able to make repayment. With these two factors combined, the credit card business has to deal with increasing risks.

In response to the above changes in market environment, the Bank strengthened its risk control system that required the joint operation before, in and after lending. In pre-lending customer access: the Bank strictly reviewed customers’ credit standing, employed credit record and other data to prudentially scan and select high-quality customers, and kept adjusting and refining related models and strategies so as to put a tight lid on the approval rate of multiple borrowing applicants. Control in the lending process: the Bank refined the credit granting rules, adopted the differentiated credit granting approach, dynamically made credit adjustments in response to customers’ card use and repayment, and carried out long-term, specialized monitoring and crackdown campaigns against high-risk customers like suspected multiple borrowing customers and non-compliant credit card usages like cash-out. Post-lending recovery of non-performing assets: the Bank continued to improve the recovery strategies, kept seeking for business cooperation with many external organizations such as public institutions (public security organs, procuratorial organs and people’s courts), credit information service providers, and big data companies, and tried to better recover funds from high-risk customers with innovative technologies and means such as big data.

In response to the emergence of problems such as internet-based financial crimes turning into an industry and massive occurrence of financial frauds, the Bank remained highly alert, and moved early and fast. It actively applied new technologies to strengthen its screening, monitoring and interception capabilities, so that it could stringently prevent financial fraud risks. First, in combination with advanced technologies and functionalities such as ID card recognition devices, face recognition, image recognition, real name verification of operators, and UnionPay authentication, the Bank enhanced the identification and verification of customer identity authenticity, thus effectively preventing and intercepting the risk of customer identity faking. Second, it independently researched and developed big data models such as fraud scoring application, decision trees and complex relationship networks to precisely identify fraud risks such as vicious intermediary packaging and false applications. Third, it teamed up with the economic crime investigation bureau of the public security apparatus to establish the “Bank Card Crime Prevention and Crackdown Laboratory”, a good example in police-bank cooperation, and called for the joint action of policemen and the public so as to combat the credit card crimes in a timely, efficient and precise way. Thanks to these multiple-pronged efforts, the Bank managed to boost its capacity for preventing and controlling credit card risk, and to guarantee the quality of assets. As at the end of the reporting period, the Bank recorded 8.678 billion balance of non-performing credit card loans, corresponding to an NPL ratio of 1.74%, down by 0.11 percentage point from the end of the previous year.

3.6.3.4 Risk Management in Asset Management Business

During the reporting period, the Bank continued to optimize the credit risk review methodology and enhance professional management and review capability. Among other things, the Bank kept optimizing its credit qualification rating scorecard, researched and developed quantitative analysis models, reinforced field survey, and set asset-category-specific and industry-specific review standards. In key risk areas, it prepared the business access name list, established the limit management mechanism and enhanced the execution of credit policies, in a bid to improve the efficiency of asset allocation management. As to the wealth management products that were launched and managed according to the new rules on asset management, the Bank tracked the concentration of invested assets day by day, and improved the daily risk monitoring mechanism. In addition, the Bank studied and formulated the five-tier classification standards for asset quality as well as the risk forewarning standards, organized and promoted risk screening of existing assets, and improved risk anticipation and resolution capabilities. Furthermore, it pushed for the fulfillment of “Defense Line 1” risk management responsibilities, clarified the main actors and their duties in post-lending management, and formulated risk forewarning and disposal processes and mechanisms, so as to further enhance the development of the risk management system.

During the reporting period, the Bank incurred no default or inadequate repayment of any matured wealth management product.

3.6.3.5 Risk Management in Financial Markets Business

During the reporting period, the Bank continued to strengthen the building of the risk management mechanism that consisted of Three Defense Lines, examined the credit risk of issuers of bonds held by the Bank from multiple angles, put existing bond assets under continuous risk screening and parallel monitoring, and made scenario-specific analysis to develop effective response plans and make active dynamic adjustments.

During the reporting period, the Bank's proprietary bond assets enjoyed excellent credit qualifications. The issuers of unsecured bonds held by the Bank were mainly large enterprises and institutions with high credit ratings and sound operating results.

3.6.4 Loan Monitoring and Post-Lending Management

During the reporting period, against the backdrop of macroeconomic slowdown, tighter regulation and prevention of systemic financial risks, the Bank endeavored to adapt to the market and policy changes. It focused on fulfillment of credit asset quality indicators to ensure stability of asset quality bank-wide on the one hand, and emphasized the "development of systems, platforms and frameworks" to promote the implementation of its 2018-2020 development plan on the other.

Improving and upgrading the comprehensive risk management system continuously. The Bank completed testing the system before it went online by stages, making sure that all functions of the comprehensive risk management system (phase II) could go into operation as scheduled. It organized branches to receive a series of trainings on system use, continued to improve the credit business management APP by raising the requests to refine such post-lending management features as payment management, risk forewarning, and management of loans close to their maturity as well as related party management features.

Doing a better job in the "classification of customers into four categories"[29]. The Bank optimized the review and approval authorization, simplified classification standards and procedures, controlled risks in a more targeted way, and improved management efficiency.

Refining the forewarning system. First, the Bank refined the meeting mechanism of the forewarning committee on the Head Office level, by convening meetings of the committee separately, and establishing a meeting minutes reporting mechanism, streamlining the vertical reporting flow of forewarnings on the Head Office level. Namelist-based management was also carried out. Second, it pushed forward the forewarning model program which aimed to bring inclusive finance business under post-lending management. Third, it intensified the management of loans close to their maturity in a customer-centric approach, realized the full coverage of all credit granting businesses, and built the credit risk defense line on a solid footing.

Screening risks over key areas and monitoring portfolio risks. The Bank organized various types of risk screening activities. Specifically, business risk prompts were issued and risk investigations were carried out in response to headline issues, so as to introduce the namelist-based management. Key credit asset portfolios were brought under risk monitoring. Key branches, products, real estate enterprises, asset portfolios, and key, large customers were given risk reminders or put under the namelist-based monitoring.

Strengthening the management of collateral. The Bank studied and released measures and plans to strengthen the management of collateral and assessment agencies, and put in place and strengthen a sound mechanism where dedicated persons were assigned to take charge of each link of collateral management. At the same time, it created the positive, negative and prudential lists of collateral access, set out the requirements for collateral assessment management on the positive and prudential lists, and guided branches to get the collateral selection and assessment work done properly.

Intensifying credit consumption management. The Bank formulated and released the credit consumption checklist of project-type asset management business, guided branches to normalize their credit consumption review and to forestall operational risk, and enabled the fingerprint authentication function as part of the credit consumption link, with a view to further strengthening credit consumption management.

29 In order to strengthen customer access and exit management for corporate credit business, promote targeted marketing and resource allocation based on customer classification and layering, and adjust and refine credit asset structure, the Bank carried out the four-category management of "supporting, maintaining, reduction and exit" for existing corporate credit customers.

3.6.5 Market Risk Management

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

During the reporting period, the risks and volatilities of the stock market, bond market and foreign exchange (forex) market intensified, and the cross-contagion between various types of risks became increasingly obvious. The Bank actively researched on and responded to market volatility, made its market analysis more forward-looking, and improved its market risk limit system. Meanwhile, it dynamically adjusted market risk limits, continued to do a good job in risk monitoring and reminding, continuously improved refined management of market risk, and strongly supported the development of relevant financial markets businesses based on risk control.

3.6.5.1 Interest Rate Risk

Interest rate risk in the banking book is defined as the risk of loss in the overall earnings and economic value of the banking book arising from adverse movements in interest rate, maturity structure, and other factors. It consists of gap risk, benchmark risk and option risk. The Bank manages its interest rate risk in the banking book for the overall objective of observing its prudent risk preference principle and ensuring that adverse impacts of interest rate movements on the Bank's profit and value are controllable.

During the reporting period, the world economy developed quite unevenly, major economies delivered polarized performances, domestic and foreign market interest rates changed in an unpredictable way. In this context, the Bank actively responded to the changes in markets at home and abroad. In the previous stages, it managed to refine the risk management framework, improve the risk monitoring indicators, and upgraded the risk management systems. On such basis, it adopted gap analysis, sensitivity analysis, stress testing, and many other means to monitor risk exposure levels and changes thereof in terms of re-pricing gap, repricing cycle, net interest income fluctuations, and economic value fluctuations. While doing so, it focused on how the benchmark risk affected the Bank under the current market situation, and tried to use the dynamic simulation function of the system and the multiple scenario-based dynamic simulation process to analyze changes in related indicators. At the same time, the Bank continued to analyze and estimate net interest income on a regular basis. In addition, it actively applied management means such as price control and regulation to conduct structural analysis and provide special reminders and guidance on the sources of interest rate risk for existing key products and new products, and kept building on the capacity for market-oriented, self-discretionary and differentiated pricing and reasonably setting up portfolios and maturity structures for asset and liability products. Thanks to all these efforts, the Bank was able to control the interest rate risk in the banking book within the tolerable range.

During the reporting period, the Guidelines for Managing Interest Rate Risk in the Banking Book of Commercial Banks (Amended) came into force. Taking this as an opportunity, the Bank finished building various customer behavior models, and updated its regulatory reporting and risk indicator systems based on the new regulatory framework. As at the end of the reporting period, the Bank had basically complied with relevant regulatory requirements in terms of system function, measurement framework, model management, and risk indicator level. Subsequently, it will work hard to improve the risk reporting system and the risk limit system, and focus on raising the overall management level of interest rate risk in the banking book.

The Bank established a complete risk limit system for the interest rate risk in the trading account, set limits such as value at risk, interest rate sensitivity and stop-loss at market value according to features of different products, and regularly assessed the interest rate risk in the trading account through stress test and other tools, so as to control the interest rate risk in the trading account within its risk appetite.

In the first half of 2019, the domestic economy downward pressure increased, market liquidity remained loose, treasury bond yields fluctuated widely, and spread of credit with high rating narrowed. Yields of US treasury bonds declined further due to slower growth of US economy and expectation of the Federal Reserve's interest rate cut. In response to the rising volatility of domestic and overseas financial markets, the Bank strengthened market research, effectively carried out risk monitoring and warning, continuously improved the market risk limit system and prudently controlled the interest rate risk exposure in the trading account.

For relevant information about the Bank's interest rate gaps as at the end of the reporting period, please refer to Note 52 to the Financial Statements contained in this Report.

3.6.5.2 Exchange Rate Risk Management

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

The exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. During the reporting period, the exchange rate of RMB against the US dollar strengthened and then weakened, revealing a trend of expanded two-way fluctuations. The Bank followed the market impacts exerted from China US trade friction closely and actively responded to these forex market fluctuations with continuous improvement of the measurement and management of the forex exposures, strict control of the forex risk exposures of relevant businesses, and the more intensive routine risk monitoring, forewarning and reporting. As a result, the Bank was able to control its exchange rate risk within the acceptable range.

For relevant information about the Bank's forex exposure as at the end of the reporting period, please refer to Note 52 to the Financial Statements contained in this Report.

3.6.6 Liquidity Risk Management

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

During the reporting period, the central bank pursued the prudent monetary policy, and made comprehensive use of various policy tools to maintain the market liquidity at a reasonably ample level. The short-term money market terminal interest rate took on a falling trend, with the overnight rate dropping below 1%, a new low in the recent decade. The range of mid-to-long-term money market interest rate fluctuated. Against such a backdrop, the Bank continued to reinforce liquidity risk management, enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, conducted stress tests on a regular basis, and organized emergency drills. It also coordinated management of assets and liabilities to ensure a basic match between funding sources and fund uses. Moreover, the Bank reinforced active management of liabilities to ensure smooth financing channels, including borrowings from the central bank, money market, interbank certificates of deposit and interbank deposits. The Bank also improved routine liquidity management, reinforced market analysis and pre-judgment and thereby managed liquidity in a more forward-looking and proactive manner.

The Group's liquidity coverage ratio as at the end of the reporting period is set out as below:

Unit: RMB million

Item	30 June 2019	31 December 2018	Increase/Decrease	31 December 2017
Liquidity coverage ratio	**132.23%**	114.33%	Up 17.90 percentage points	97.98%
Qualified premium liquid assets	**589,912**	553,870	6.51%	507,004
Net cash outflow in the coming 30 days	**446,126**	484,454	-7.91%	517,472

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

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

Unit: RMB million

Item	30 June 2019	31 March 2019	31 December 2018	Increase/Decrease
Net stable funding ratio	**104.66%**	101.53%	104.26%	Up 0.40 percentage point
Available stable funding	**3,748,292**	3,495,928	3,419,051	9.63%
Required stable funding	**3,581,308**	3,443,342	3,279,280	9.21%

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

For relevant information about the Group's liquidity gaps as at the end of the reporting period, please refer to Note 52 to the Financial Statements contained in the Report.

3.6.7 Operational Risk Management

Operational risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and information technology systems and external incidents. It includes legal risk but excludes strategic risk and reputation risk. During the reporting period, the Bank continued to strengthen its operational risk control and intensified the daily management of operational risk. The Bank worked harder to examine and improve the key business and management process, organized a re-examination of the key operational risk indicator system on a regular basis, established a stratified and hierarchical indicator monitoring system, and improved the capability for in-process monitoring of operational risk. At the same time, the Bank continuously reinforced the mechanism for grading and reporting risk incidents, and conducted stricter risk screening on the businesses stages highly prone to operational risk. Moreover, it made further endeavors to establish a robust risk management system for its outsourcing business, strengthened routine management and risk assessment of outsourcing affairs, and organized outsourcing audits and inspections, thus effectively standardizing outsourcing behavior and preventing outsourcing risk. In addition, the Bank continuously built up capacity for emergency response, improved the business continuity management system, and had its units at all levels organize emergency drills in various forms. In the meantime, it also further strengthened the prevention and control of information technology risks, and conducted comprehensive assessment and continuous monitoring of such risks. During the reporting period, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

3.6.8 Reputation Risk

Reputation risk mainly refers to the risk caused by negative opinion of the Bank by customers, employees, shareholders, investors, media, regulators or other stakeholders resulting from the Bank's operation, management and other acts or external events.

In the first half of the year, the Bank strengthened the source management of reputation risk, strengthened the identification of potential risk points and continued to do a good job in risk assessment, early warning and mitigation. It strengthened public opinion monitoring and actively responded to public concerns. In addition, the Bank held reputation risk management trainings and drills to improve the reputation risk management skills and media communication of branches. During the reporting period, the Bank steadily improved its reputation risk management and effectively maintained a good image.

3.6.9 Country Risk

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

The Bank followed the principle of adapting and continuous improvement in country risk management. It gradually improved country risk management policies and procedures, and formulated concrete methods and procedures based on its country risk management objectives, country risk exposure scale and business complexity, so as to effectively identify, measure, monitor and control country risk, and promote the steady development of its business.

During the reporting period, the Bank continued to enhance country risk management in line with regulatory requirements and operating strategies, reviewed annual country risk limits, strengthened limit management of high-risk countries, regularly conducted country risk ratings, and monitored changes in country risk exposures, thus controlling country risk at an acceptable level.

3.7 Internal Control

3.7.1 Internal Control System

During the reporting period, the Bank included operational compliance as part of its 2018-2020 development plan and explicitly required the bank-wide internal control and compliance management to do a good job in the following three aspects: comprehensive risk management, internal control compliance and fraud case prevention, and implementation of regulatory policies. At the same time, it worked hard to cultivate a sound risk culture and build up the awareness of operational compliance among the Bank. By adopting eight measures (building systems, creating mechanisms, putting in place processes, adjusting structures, controlling risks, strengthening compliance, highlighting innovation, and bolstering up internal strengths), it tried to effectively adapt to the complicated business environment, reach the requirements of "tightening supervision, stressing compliance", and fulfill the management objectives raised by the "Safe CITIC" project.

At the same time, it promoted the "413 Compliance Action"[30] from multiple dimensions continuously, including strengthening institutional development, implementing rectification of problems, holding violations accountable more strictly, and tightening supervisory inspections. In terms of institutional development, employee behavior management, consolidation of chaos rectification results, and addressing the problems of repeated violation and revelation in investigations, the Bank advocated the operational compliance and steady development, and comprehensively upgrade the level of internal control and compliance management across the Bank. It improved the key links of internal control management, applied compliance manuals into wider fields, and pushed forward the management mode that made clear the "red lines, negative lists, and penalty criteria".

Besides, the Bank emphasized the requirements for a tier-one legal person across the Bank. It put the annual authorization under the further "differentiated, standardized and meticulous" management, advocated granting of differentiated authorization to branches located in three major regions, promoted normative operation in the authorization for overseas branches, included recurrent affairs into the scope of annual authorization, and got the authorization work done in a more scientific and forward-looking way, so that it could serve the operation, management, and business development. Furthermore, it brought units on all levels under normative authorization management, and adjusted related authorizations in a timely and dynamic way. In the year, a total of 46 dynamic adjustments were made, hence boosting the healthy development of business. Besides, 1,100 key personnel engaged in authorization management received trainings on major changes and key clauses in this regard.

30 Under the "413 Compliance Action", the Bank carried out 4 special actions, i.e., "escort action" for rule implementation, "demining action" for behavior management, "sword action" for chaos rectification, and "governance action" for repeated investigations versus repeated violations; and implemented 13 initiatives, i.e., re-examine business processes, develop compliance manuals, strengthen implementation of rules and regulations, practice the system for part-time managerial functions, curb improper trading practices, conduct flying inspections for incident prevention, boost advocacy and early warning education, supervise continuous rectification, carry out self-examination and self-correction on a rolling basis, rectify the root causes, define the compliance red lines, conduct screening for rectification, and continuously follow up assessment results.

During the reporting period, the Bank continued to inspect and correct the issues in relation to the market chaos rectification. Adopting a risk-based approach, it carried out self-inspections in a bid to consolidate the results of chaos rectification and strengthen the internal control management, re-examined key processes of important businesses, and helped branches to identify their internal control deficiencies and fraud case prevention risks. At the same time, measures were taken to re-examine how the internal control management processes and key link-related policies were implemented, evaluate the effectiveness of internal control management conducted by related businesses and make proper corrections. Thanks to all of these efforts, the Bank managed to conduct internal control more effectively and execute related policies more efficiently.

3.7.2 Compliance Management

During the reporting period, the Bank internalized 15 external regulatory requirements, including those on financial services for small and micro enterprises, asset custody business, account, payment and settlement, completed the revising and developing of 18 policies and measures as well as seven normative documents, improved six systems such as “Payment All in One” and “special merchant management”. By doing so, it converted the regulatory requirements into internal policies and standards in a timely manner, and made sure that these regulatory policies could be put into operation efficiently. Besides, more than 2,000 people across the Bank were organized to attend the video training courses on key regulatory policies, where important regulatory requirements for such aspects as custody business guidelines and financing for small and micro enterprises were explained at length. Thanks to these trainings, attendees were expected to pinpoint the regulatory priorities precisely, and analyze their impacts on business. On this basis, the Bank could deepen its training and operational guidance for branches, and further act on regulatory requirements in its business development.

Focusing its attention on hot topics about regulation, key policies and regulatory priorities, the Bank pooled its strength to preferentially study and analyze new regulatory rules, policies and issues. During the transition period, it warped up over 1,120 compliance review cases concerning wealth management business modes, payment business innovation, inclusive finance, fund redemption, M&A loan, and fund flow, and put forth more than 2,300 pieces of compliance opinions. Consequently, it could offer better compliance support for its innovative businesses, protect business development against compliance risks from the source, and escort the Bank toward high-quality development.

Additionally, the Bank kept conducting the “early warning education” campaigns, so as to circulate and analyze typical cases and severe violations across the Bank and help all employees raise their awareness of risk and compliance. It continued to roll out the “Top Leaders Talk about Cases”, WeChat learning for compliance department heads of the branches, and other themed activities, and hosted the “Risk, Compliance and Anti-Money Laundering” knowledge competition, with a view to raising the awareness of risk among all employees, advocating the strict compliance with red lines of compliance and bottom lines of risk management, promoting business units toward operational compliance, encouraging personnel at all levels to be clean, honest and self-disciplined, and establishing a longstanding compliance management mechanism.

3.7.3 Anti-Money Laundering (AML)

The Bank strengthens the money laundering risk management and consolidates the AML internal control management in accordance with the Law of the People’s Republic of China on Anti-Money Laundering, the Guidelines for Risk Management Regarding Money Laundering and Terrorist Financing in Corporate Financial Institutions (Trial) (hereinafter referred to as “Document No.19” for short), the Measures for the Administration of Anti-Money Laundering and Counter Terrorist Financing by Banking Financial Institutions (hereinafter referred to as “Decree No.1” for short) as well as other laws, regulations, and regulatory provisions regarding AML.

During the reporting period, the Bank earnestly acted on the new regulatory rules released by the PBOC and the CBIRC, took the implementation of Document No.19 and Decree No.1 as one of its priority tasks, kept highlighting the importance of corporate governance, helped directors, supervisors, and senior management members to raise their awareness of duty performance, further intensified authorization management, continued to improve the AML internal control policies, consolidated the money laundering risk management measures, and improved the AML information system constantly.

In terms of organizational structure, President of the Bank leads the Anti-Money Laundering Work Leadership Group (the Leadership Group), and all departments of the Bank participate in the important work of the Leadership Group. The Leadership Group surveyed and demonstrated result gathering plans for AML monitoring submitted by some branches, and strengthened the AML authorization management. According to the principle of "laterally extending to the sides and longitudinally extending to the bottoms", the Head Office departments and branches at home and abroad were all included into the bank-wide AML authorization system, in a move to make sure that AML risk management duties could be fulfilled across the Bank.

In terms of AML policies, the Bank revised or formulated the work policies for the Leadership Group, AML contingency plans, and AML management measures for corporate banking, operation, e-banking and other business lines, prepared the AML compliance manuals and negative lists, and consolidated the foundation of bank-wide AML management, and constantly improved the AML internal control system.

In terms of post and personnel management, the Bank further refined the responsibilities of its AML units and posts, and gradually selected full-time personnel with great professional competence to engage in the AML work, so as to meet its demand for AML management talents.

In terms of AML risk management measures, the Bank specified the mechanisms and standards to identify and recognize suspicious transaction cases, strengthened the quality management of suspicious transaction reports, allowed different regions to run differentiated transaction monitoring standards on a trial basis, developed the transaction monitoring standards with local characteristics, drafted the supporting analysis manual for money laundering and upstream crime, and studied and established the AML post-supervision mechanism to improve the effectiveness of money laundering risk management.

In terms of money laundering information system, the Bank organized a re-inspection of business requests raised for the namelist-based monitoring system and promoted the system toward improvement. Besides, it refined the whitelist addition mechanism, completed the review of the proposal for a business project to renovate the AML risk management system (phase IV), developed deep machine learning algorithms, and further filtered and identified suspicious transactions based on the underlying static rules, and gradually enabled the information system to better support the AML work.

During the reporting period, the Bank received a letter of thanks from the Anti-money Laundering Bureau of the PBOC, which spoke highly of the Bank's excellent performance as a representative of the joint-stock commercial banks in Beijing in the assessment response to the Financial Action Task Force (FATF). This showcased the Bank's sound image in fulfilling international obligations.

3.8 Internal Audit

In accordance with its work objective of "promoting audit toward transformation and enhancing auditing value", pursuant to the overall arrangements set out in the "2018-2020 Development Plan" and the "8100 Project", and with the guidance of the Audit Department's Implementation Program for the New Three-year Plan (2018-2020), the Bank's internal audit earnestly fulfilled its duties of audit supervision, endeavored to build related capabilities, and improved auditing technologies and means on all fronts, thus capable of giving full play to the role of preventing risks, propelling internal control, and creating more value. To further enhance the independence and authority of auditing, the Bank took steady steps to push forward the reform on audit system with much attention of the party committee of the Head Office and the Board of Directors. Specifically, by optimizing and integrating the audit resources constantly and relying on the audit framework that consisted of "one department and eight centers"[31], it brought the bank-wide operation and management under more intensified independent supervision, further refined its independent, vertical and well-functioning audit management system, and thus strongly supported the robust development of its operation and management and other businesses.

31 One department means the Audit Department Base of the Bank, and eight centers refer to Beijing Audit Center, Shanghai Audit Center, Shenzhen Audit Center, Chengdu Audit Center, Xi'an Audit Center, Kunming Audit Center, Wuhan Audit Center, and Shenyang Audit Center.

During the reporting period, the Bank focused on the implementation of financial policies on the national level, regulatory requirements, and strategies on the Head Office level. Given the new conditions and changes, it reinforced the supervision over key units, key risk areas, key operational and managerial components, and personnel at key posts, carried out special audits in multiple areas including inclusive finance, classification of assets by quality, credit granting for real estate customers, and information technology as well as comprehensive audits on many branches, and kept tracking the internal control risk under the complicated operating environment. At the same time, it worked harder to find out the causes of exposed issues, exposed the problems existing on the design and execution levels of internal control, and further reinforced the supervision and evaluation of how the identified problems were corrected.

3.9 Capital Management

During the reporting period, in line with changes in both the internal and external situations, the Group continued to uphold the "capital light, asset light and cost light" development strategy. It drove forward light-style asset business in accordance with the asset-liability strategy of "accelerating turnover and adjusting structure" to save capital occupation. The Bank practiced total capital management, including capital adequacy ratio management, capital planning, capital allocation and capital evaluation management. The goal of the Group's capital management was to continuously comply with capital regulatory regulations and policy requirements, maintain a reasonable level of capital adequacy ratio, optimize the business structure and increase the efficiency and return of capital use. The Group calculated, managed and disclosed its own and the Bank's capital adequacy ratios according to the *Provisional Measures for Capital Management of Commercial Banks* promulgated by the CBRC in June 2012.

The Group continued to strengthen its capability for internal capital accumulation and at the same time took the initiative to optimize its business structure and control capital consumption, meeting regulatory requirements for capital adequacy ratios at all levels continuously. As at the end of the reporting period, the Group recorded the following capital adequacy profile: a capital adequacy ratio of 12.27%, a decrease of 0.20 percentage point from the end of the previous year; a 9.35% tier-one capital adequacy ratio, 0.08 percentage point lower than the end of the previous year; and a 8.58% core tier-one capital adequacy ratio, down by 0.04 percentage point from the end of the previous year. The Group saw a drop in its capital adequacy ratios at all levels. The cause is two-faceted: On the one hand, the 2018 Annual General Meeting deliberated and approved the annual profit distribution plan for 2018 and declared to distribute RMB11.255 billion of ordinary share dividend in cash, which accordingly reduced the net core tier-one capital. On the other hand, the Group increased credit extension in 2019 to help enhance the quality and efficiency of the real economy, resulting in a growth rate of risk-weighted assets higher than the growth rate of net capital. To accommodate business growth, the Group carried out moderate capital replenishment from external sources. During the reporting period, the Group issued RMB40 billion of convertible bonds, and the Group will move forward with the issuance of RMB40 billion of undated capital bonds, RMB40 billion of preference shares and other capital replenishment instruments to maintain the adequacy of capital at all levels.

During the reporting period, the Group continued to reinforce its capital constraint and allocation mechanisms for the continuous implementation of the capital-light development strategy. In its efforts to keep enhancing the capital allocation and evaluation system with "economic profit" and "return on capital" at the core, the Group continued to promote the application of the internal rating approach in capital evaluation. In addition, it adopted the dual-line management model, i.e., "limit management of regulatory capital" and "benchmarking evaluation of economic capital", to coordinate the balance of regulatory capital and economic capital, and guided the business units to rationalize their asset structures under the capital constraints. At the same time, the Group optimized the allocation existing assets to provide space for capital saving and enhance its ability to serve the real economy. Capital usage efficiency was improved to maintain stable capital adequacy ratios of the Group and gradually shape a long-term capital replenishment mechanism with internal capital replenishment as main source, and external sources of capital replenishment as supplement.

Capital adequacy ratios

Unit: RMB million

Item	**30 June 2019**	31 December 2018	Increase (%)/Decrease	31 December 2017
Net core tier-one capital	**424,029**	403,354	5.13	366,567
Net tier-one capital	**461,648**	441,122	4.65	403,378
Net capital	**605,896**	583,393	3.86	502,821
Risk-weighted assets	**4,940,007**	4,677,713	5.61	4,317,502
Core tier-one capital adequacy ratio	**8.58%**	8.62%	Down 0.04 percentage point	8.49%
Tier-one capital adequacy ratio	**9.35%**	9.43%	Down 0.08 percentage point	9.34%
Capital adequacy ratio	**12.27%**	12.47%	Down 0.20 percentage point	11.65%

Leverage ratio

Unit: RMB million

	30 June 2019	31 December 2018	Increase (%)/Decrease	31 December 2017
Leverage ratio	**6.19%**	6.37%	Down 0.18 percentage point	6.18%
Net tier-one capital	**461,648**	441,122	4.65	403,378
Adjusted balance of on- and off-balance sheet assets	**7,462,865**	6,928,004	7.70	6,527,276

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

3.10 Material Investment, Acquisitions, Disposals of Assets and Mergers of Enterprises

Investments

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

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

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

3.11 Information about Structured Entities

For relevant information about structured entities beyond the scope of the Bank's consolidation of financial statements, please refer to "Note 56 to the Financial Statements contained in the Report".

3.12 Outlook

Looking into the second half of 2019, the international situation will remain volatile, and the Sino-US trade frictions will be uncertain, long-term and complex. Under the "six stability" policy targets, the fiscal policy will be more proactive; the tax and fee cuts will be expanded; and the pace of spending will be quickened. Some major projects have been allowed to use special bonds as capital, which will drive the recovery of infrastructure investment to some extent. The counter-cyclical adjustment of monetary policy will be properly adopted to maintain reasonably ample liquidity. It is highly probable that the market interest rate will stay at a low range. Regulatory policies will be stricter to strengthen regulation over real estate financing, risk asset classification and other areas. Overall, while China's economic growth will be under increased pressure in the second half of the year, economic and financial risks will be controllable on the whole.

Facing the above situations, the Bank will earnestly act on the requirements of various regulatory policies, implement the 2018-2020 development plan at a faster pace, and prioritize the following operation and management tasks. First, the Bank will unswervingly serve the real economy, give full support to the development of private enterprises, resolutely implement the national policies for real estate control, and vigorously develop inclusive finance. Second, the Bank will push forward the transformation of corporate banking business. It will work holistically to promote the integration of corporate customer services, consolidate its advantages in transaction banking, auto finance and other featured business, and strengthen support to leading enterprises in the "three big, three high, three new" industries and industry leaders with remarkable results in capacity cuts. The Bank will also refine the functions of corporate online banking, bank-enterprise direct link and cash management system to comprehensively improve customer service experience. Third, the Bank will move faster to release the potential in retail banking. It will sharpen its edge in featured business like overseas finance and credit card, expand private banking, payroll agency business and wealth management business, and improve online consumer finance and pension finance. In addition, the Bank will promote scene-based payment and settlement products such as e-commerce butler and intermediate butler at a faster pace. Fourth, the Bank will tap into the development potential of financial markets. It will reinforce the research on investment strategy and market segments, and increase the volume of investment transactions. It will further develop the "CITIC Interbank +" financial service platform and increase the volume of matchmaking transactions. Moreover, the Bank will move faster to apply for establishing a wealth management subsidiary, strengthen asset management business and improve asset management capability and profitability. It will accelerate the building of Shanghai Branch as financial market center to build an FTZ business platform with regional characteristics. Fifth, the Bank will carry out innovation and digital transformation at a faster pace. It will establish a technical framework adapted to digital transformation, give full play to the application of new technologies such as big data and AI, build a digital mobile platform and service ecology, and develop mobile service scenarios and service channels. The Bank will build an open "financial + non-financial" service ecosystem to realize mutual empowerment between financial and non-financial sectors. Sixth, the Bank will improve its comprehensive risk control system. It will refine credit extension procedures, move faster to promote the mechanism of independent approver and principal responsible person for operation, and improve credit extension policies and authorization management. Besides, the Bank will defuse and dispose of risks in existing assets in an orderly manner, and strengthen compliance and internal control management and accountability.

Chapter 4 Significant Events

4.1 Purchase, Sale or Redemption of Shares of the Bank

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

4.2 Profit Distribution of Ordinary Shares

The formulation and implementation of the Bank's cash dividend policy accords with the provisions stipulated in the Articles of Association of the Bank and the requirements provided in the resolutions of the general meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. The annual profit distribution plan for 2018 was reviewed and approved by independent directors of the Bank, and also adopted through resolution by more than 99.99% of shareholders holding less than 5% of shares at the 2018 Annual General Meeting held on 24 May 2019, thus effectively safeguarding the rights and interests of minority shareholders.

4.2.1 2018 Annual Profit Distribution Plan

Upon the approval at the 2018 Annual General Meeting held on 24 May 2019, the Bank distributed cash dividends of about RMB11,255 million, or RMB2.30 per ten shares (pre-tax), for the year 2018 to the A shareholders on register on 19 July 2019 and H shareholders on register on 4 June 2019. The annual profit distribution plan for 2018 is detailed in the 2018 Annual Report, the meeting materials for the 2018 Annual General Meeting, the H-share circular of the 2018 Annual General Meeting and the announcement of the implementation of annual dividend distribution of ordinary A shares for 2018. Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

4.2.2 Interim Profit Distribution in 2019

The Bank will not distribute interim profits for 2019, nor will it transfer any capital reserves to share capital.

4.3 Material Contracts and Their Performance

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

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

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

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

During the reporting period, there was no appropriation of the Bank's funds by either the controlling shareholder or its related parties.

4.5 Material Related Party Transactions

When engaging in related party transactions with related parties during its ordinary and usual course of business, the Bank followed general commercial principles and executed the transactions with terms available to related parties being no more favorable than those available to non-related parties for similar transactions. For statistical details of the related party transactions, please refer to "Note 55 Related Party Relationships and Transactions" to the financial statements contained in this report, of which the transactions constituting connected transactions as per the Hong Kong Listing Rules all complied with the requirements of the Hong Kong Listing Rules.

4.5.1 Related Party Transactions Involving Disposal and Acquisition of Assets

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

4.5.2 Credit Extension Continuing Related Party Transactions

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

The Bank attached great importance to the day-to-day monitoring and management of credit extension related party transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as more intensive process-based management, strict risk review and better post-lending management of related credit extension. As at the end of the reporting period, the balance of credit that the Bank and its subsidiaries extended to all related companies under the SSE regulatory criteria amounted to RMB31.606 billion, including RMB24.604 billion to CITIC Group and its associates, RMB6.5 billion to Xinhu Zhongbao and its associates, zero to China Tobacco and its associates, RMB0.187 billion to Poly Group and its associates, and RMB0.315 billion to related parties which the related natural persons invested in or worked for. Under the CBIRC regulatory criteria, the balance of credit that the Bank and its subsidiaries extended to all related companies amounted to RMB70.228 billion, including RMB34.292 billion to CITIC Group and its associates, RMB17.276 billion to Xinhu Zhongbao and its associates, RMB0.065 billion to China Tobacco and its associates, RMB17.783 billion to Poly Group and its associates, and RMB0.812 billion to related parties which the related natural persons invested in or worked for. Such credit extended to related companies was of good quality in general, with one transaction being a special mention loan (RMB775 million) and all others being performing loans. As such, these credit extension transactions will not exert material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality.

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

4.5.3 Non-Credit Extension Continuing Related Party Transactions

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

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

4.5.3.1 Third-Party Escrow Services

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
CITIC Group and its associates	Third-Party Escrow Services	Service fees	0.8	0.07
Xinhu Zhongbao and its associates			0.5	0
China Tobacco and its associates			0.5	0
Poly Group and its associates			0.5	0

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

4.5.3.2 Asset Custody Services

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
CITIC Group and its associates	Asset Custody Services	Service fees	15	1.94
Xinhu Zhongbao and its associates			2	0
China Tobacco and its associates			2	0.005
Poly Group and its associates			2	0.002

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

4.5.3.3 Financial Consulting and Asset Management Services

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fees	50	0.88
Xinhu Zhongbao and its associates			5	0.09
China Tobacco and its associates			5	0.004
Poly Group and its associates			5	0.0008

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

4.5.3.4 Capital Transactions

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	15	0.81
		Fair value recorded as assets	25	2.06
		Fair value recorded as liabilities	45	3.63
Xinhu Zhongbao and its associates		Gains and losses of transactions	5	0.02
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
China Tobacco and its associates		Gains and losses of transactions	5	0
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
Poly Group and its associates		Gains and losses of transactions	5	0
		Fair value recorded as assets	50	0
		Fair value recorded as liabilities	50	0

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

4.5.3.5 Comprehensive Services

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
CITIC Group and its associates	Comprehensive Services	Service fees	35	10.51
Xinhu Zhongbao and its associates			1	0.0005
China Tobacco and its associates			1	0.02
Poly Group and its associates			4	0.0001

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

4.5.3.6 Asset Transfer

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
CITIC Group and its associates	Asset Transfer	Transaction amount	2,200	239.54
Xinhu Zhongbao and its associates			100	0
China Tobacco and its associates			100	0
Poly Group and its associates			100	0

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

4.5.3.7 Wealth Management and Investment Services

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

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

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
CITIC Group and its associates	Non-principal-protected wealth management and agency services	Service fees	30	5.83
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	140	3.33
		Yield on wealth management services for customers	6	0.04
		Bank investment return and service fees	68	0.98
		Period-end balance of investment funds	1,000	207.91

Counterparty	Business type	Basis of calculation	Annual cap in 2019	Transaction amount in Jan-Jun 2019
Xinhu Zhongbao and its associates	Non-principal-protected wealth management and agency services	Service fees	5	0.00002
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	100	0.1
		Yield on wealth management services for customers	10	0
		Bank investment return and service fees	4	0
		Period-end balance of investment funds	50	0
China Tobacco and its associates	Non-principal-protected wealth management and agency services	Service fees	1	0
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	10	0
		Yield on wealth management services for customers	1	0
		Bank investment return and service fees	1	0
		Period-end balance of investment funds	10	0
Poly Group and its associates	Non-principal-protected wealth management and agency services	Service fees	3	0
	Principal-protected wealth management and investment services	Period-end balance of principal in wealth management services for customers	30	0
		Yield on wealth management services for customers	3	0
		Bank investment return and service fees	4	0
		Period-end balance of investment funds	50	0

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

4.5.4 Related Party Transactions in Joint External Investment

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

4.5.5 Related Party Debt Transactions and Guarantees

For details of related party debt transactions and guarantees between the Bank and its related parties, please refer to Note 55 to the Financial Statements contained in this report.

4.5.6 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to the transactions between the Bank and its related natural persons, please refer to Note 55 to the Financial Statements contained in this report.

4.6 Material Litigations and Arbitrations

The Group was involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Group for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 71 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Group's ordinary and usual course of business where the Group acted as defendant/respondent with an aggregate disputed amount of RMB828 million.

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

4.7 Undertakings by the Company and Its Relevant Stakeholders

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

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

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

As at the end of the reporting period, none of the directors, supervisors or senior management members of the Bank held any shares, stock options, restricted shares, underlying shares or bonds of the Bank or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) or had any interests or short positions which have to be recorded in the register maintained under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules.

During the reporting period, the Bank consulted all directors, supervisors and senior management members and confirmed that the directors, supervisors and senior management members all adopted and complied with the standards for securities trading by directors and supervisors prescribed in the Model Code.

4.9 Investigation, Penalties and Remedial Actions of the Company and its Directors, Supervisors, Senior Management Members, Controlling Shareholder and De Facto Controller

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

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

4.10 Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules throughout the six months ended 30 June 2019, except for the following:

According to Code A.1.3 of the Corporate Governance Code, the meeting notice of the Board of Directors shall be given at least 14 days before each regular board meeting, while all directors and supervisors shall be notified in writing 10 days prior to a regular Board meeting according to Article 179 of the Bank's Articles of Association. The Bank adopted the above-mentioned latter notice practice for regular board meetings because a 10-day prior notice practice complies with applicable PRC laws and regulations, and reasonable time is deemed to have been given.

According to Code A.6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend the general meetings of the Bank in person due to conflict of timing or other arrangements.

Given the changes in the external business environment and regulatory requirements in general and changes in the business scopes and scales of banks in particular, there is no end to the improvement of internal control of banks. Therefore, the Bank will follow the requirements of external regulators, the work requirements of listed companies and the criteria of leading banks in the world to continuously optimize its internal control management.

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

The Bank has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules and has complied with Rules 13.67 and 19A.07B of the Hong Kong Listing Rules to regulate the securities transactions of its directors and supervisors. All the directors and supervisors were consulted specifically for this matter and all of them confirmed that they had strictly complied with the relevant provisions of the Model Code throughout the reporting period.

4.12 Review of Interim Results

The Audit and Related Party Transactions Control Committee of the Board of Directors of the Bank has reviewed the accounting policies and practices adopted by the Bank together with the senior management, discussed matters on internal control and financial reporting and reviewed this interim report.

In this interim report, the Group adopted the Accounting Standards for Enterprises No. 21 — Leases revised by the Ministry of Finance in December 2018. This change in accounting policy has been reflected in the interim financial statements for 2019. The data for the comparative periods are not adjusted or restated in accordance with relevant requirements. Except for the above changes, the accounting policies adopted in the interim financial report of the Group are consistent with those applied to the Group's annual financial statements for the year ended 31 December 2018.

4.13 Equity Incentive Scheme

The Bank did not implement any equity incentive scheme during the reporting period.

4.14 Use of Funds Raised and Material Investments with Non-Raised Funds

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

4.15 Integrity of the Company and Its Relevant Stakeholders

During the reporting period, neither the Bank nor its controlling shareholder or its de facto controller was involved in failure to execute valid court verdicts or failure to repay matured debts of considerable amounts.

4.16 Environment-Related Performance and Policies

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

During the reporting period, the Bank stayed true to the philosophy of green development, strictly implemented relevant regulatory requirements, increased its support to the green economy, the low-carbon economy and the circular economy at controlled risk on a commercially sustainable basis and increased the proportion of green loans. The Bank also prevented environmental and social risks, and improved its own environmental and social performance, so as to optimize its credit structure, elevate its service level and promote the transformation of its development pattern. The Bank defined the priority support areas of green credit, set the development targets of green finance, and integrated green credit business into performance evaluation.

During the reporting period, the Bank kept its rigid control on the credit extension to the "high energy consumption, heavy pollution and overcapacity" industries and classified the different enterprises in these industries for implementation of different policies. Continuing support was rendered to premium leading enterprises that were characterized by advanced technology, high efficiency, good potentials and ready market. With regard to other enterprises, the Bank gradually reduced its support or made an exit.

In the reporting period, the Bank strengthened the management of environmental and social risks, carried out dynamic assessment of the movement of environmental and social risks in process such as loan application, review and approval of loan applications and post-lending management. Such assessment covered the management of customer environmental and social risks, liquidity situations and external communication. The assessment results were used as an important basis for customer access, management and exit. In addition, the Bank integrated management of customer environmental and social risks into its business processes such as pre-lending investigation, review and approval of loan applications, contract management, review of loan use and post-lending management.

4.17 Performance of Social Responsibility for Poverty Alleviation

During the reporting period, the Bank made innovations to poverty alleviation products, set up poverty alleviation platforms, improved poverty alleviation mechanisms and continued to improve the precision and effectiveness of its efforts for poverty alleviation with financial services in accordance with the work arrangements of the CPC Central Committee, the State Council and regulatory authorities and the basic principle of precision poverty alleviation and relief, aiming at steadily lifting people out of poverty and achieving long-term development of poverty-stricken areas. It precisely met various poverty alleviation needs using a wide spectrum of "Finance +" poverty alleviation models, made in-depth efforts to strengthen the system of poverty alleviation with financial services and intensified risk control in this field.

As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB7.800 billion, an increase of RMB0.988 billion or 14.50% over the end of previous year. In terms of borrowers, personal loans for precision poverty alleviation recorded RMB2.328 billion, down 23.41% from the end of previous year; and institutional loans for precision poverty alleviation stood at RMB5.473 billion, up 45.03% from the end of previous year[32].

In the second half of 2019, the Bank will continue to actively implement the Central Government's essential concept and regulatory policy requirements on poverty alleviation with financial services, and carry out business of financial services for poverty alleviation under the guidance of relevant policies. In line with its business characteristics and risk preference, the Bank will research the development of poverty alleviation products, render greater support to poverty alleviation with financial services, improve the system of financial services for precision poverty alleviation, organize financial education and publicity activities and continue to improve the precision and effectiveness of its efforts for poverty alleviation with financial services.

4.18 Access to the Interim Report

The Bank has prepared the interim reports of A shares and H shares in accordance with regulatory requirements for A shares and H shares listed companies respectively. The interim report of H shares is available in both Chinese and English languages. A-share shareholders may write to the Office of the Board of Directors of the Bank for copies of the A-share Interim Report prepared in accordance with the PRC Accounting Standards. H-share shareholders may write to the Bank's H-share registrar Computershare Hong Kong Investor Services Limited for copies of the H-share Interim Report prepared in accordance with the IFRS.

32 According to the latest PBOC requirements on statistics of "communication facility loans" in precision poverty alleviation, the Bank adjusted the precision poverty alleviation data and the comparison standard in the reporting period.

Chapter 5 Changes in Shares and Shareholdings of Substantial Shareholders

5.1 Changes in Ordinary Shares

5.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2018		Changes (+, -)					30 June 2019	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale	**2,147,469,539**	**4.39**						**2,147,469,539**	**4.39**
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,147,469,539	4.39						2,147,469,539	4.39
3. Shares held by other domestic investors									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
Shares not subject to restrictions on sale	**46,787,327,034**	**95.61**						**46,787,327,034**	**95.61**
1. Renminbi denominated ordinary shares	31,905,164,057	65.20						31,905,164,057	65.20
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	30.41						14,882,162,977	30.41
4. Others									
Total shares	**48,934,796,573**	**100.00**						**48,934,796,573**	**100.00**

5.1.2 Shares Subject to Restrictions on Sale

Publicly tradeable time of shares subject to restrictions on sale

Unit: share

Time	Incremental publicly tradeable shares upon expiry of lock-up period	Number of shares subject to restrictions on sale	Number of shares not subject to restrictions on sale
20 January 2021	2,147,469,539	2,147,469,539	46,787,327,034

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

Unit: share

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

5.2 Issuance and Listing of Securities

5.2.1 Equity Financing

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

5.2.2 Issuance of Bonds

5.2.2.1 Issuance of Convertible Bonds

On 4 March 2019, the Bank completed the issuance of 40 million board lots of A-share convertible bonds, with each issued at the face value of RMB100 at par, raising total proceeds of RMB40 billion, which came to net proceeds of RMB39,915.6402 million after deduction of the issuance costs. On 19 March 2019, the abovementioned A-share convertible bonds were listed on SSE (stoke name: CITIC Convertible Bonds, stock code: 113021). By 30 June 2019, the proceeds raised in this issuance of convertible bonds had been all put into operation to support the Bank's business development and will be used to replenish the core tier-one capital after the conversion according to relevant regulations. Please refer to Chapter 7 "Convertible Corporate Bonds" of the Report as well as relevant announcements that the Bank disclosed on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for relevant information.

5.2.2.2 Issuance of Undated Capital Bonds

On 24 May 2019, the 2018 Annual General Meeting of the Bank reviewed and adopted the proposal on the issuance of undated capital bonds. According to the proposal, the Bank plans to issue the undated capital bonds up to RMB40 billion (inclusive) or in an equivalent amount in foreign currencies at domestic and overseas markets, so as to replenish its additional tier-one capital. Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information thereof.

5.3 Information on Ordinary Shareholders

5.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 182,134 accounts of ordinary shareholders in total, including 152,415 accounts of A shareholders and 29,719 accounts of registered H shareholders, and no preference shareholders with restored voting right.

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

Unit: share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sale	Increase or decrease in shareholding during the reporting period	Shares pledged or frozen
1	CITIC Corporation Limited	State-owned legal person	A share H share	31,988,728,773	65.37	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	H share	12,126,732,895	24.78	0	705,456	Unknown
3	China National Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	2,147,469,539	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,114,065,677	2.28	0	0	0
5	Central Huijin Asset Management Limited	State-owned legal person	A share	272,838,300	0.56	0	0	0
6	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	Unknown
7	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	84,392,950	0.17	0	-20,021,761	0
8	Mao Tian Capital Limited	State-owned legal person	A share	31,034,400	0.06	0	0	0
9	China Poly Group Corporation Limited	State-owned legal person	A share	27,216,400	0.06	0	0	0
10	Gu Liyong	Natural Person	A share	19,980,646	0.04	0	2,520,500	0

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

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

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

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

(5) Note on connected relations or concerted actions of the above ordinary shareholders: Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. According to the Report for the First Quarter of 2019 of China Construction Bank Corporation, as at 31 May 2019, Central Huijin Investment Limited and its wholly-owned subsidiary Central Huijin Asset Management Limited together owned 57.31% equity of China Construction Bank Corporation. Except for these, the Bank was not aware of any connected relation or concerted action between the above-mentioned shareholders.

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

Unit: share

No.	Name of shareholder	Number of shares not subject to restrictions on sale held	Class and number of shares: Class	Number
1	CITIC Corporation Limited	31,988,728,773	Renminbi denominated ordinary shares	28,938,928,294
			Overseas-listed foreign shares	3,049,800,479
2	Hong Kong Securities Clearing Company Nominees Limited	12,126,732,895	Overseas-listed foreign shares	12,126,732,895
3	China Securities Finance Corporation Limited	1,114,065,677	Renminbi denominated ordinary shares	1,114,065,677
4	Central Huijin Asset Management Limited	272,838,300	Renminbi denominated ordinary shares	272,838,300
5	China Construction Bank Corporation	168,599,268	Overseas-listed foreign shares	168,599,268
6	Hong Kong Securities Clearing Company Limited	84,392,950	Renminbi denominated ordinary shares	84,392,950
7	Mao Tian Capital Limited	31,034,400	Renminbi denominated ordinary shares	31,034,400
8	China Poly Group Corporation Limited	27,216,400	Renminbi denominated ordinary shares	27,216,400
9	Gu Liyong	19,980,646	Renminbi denominated ordinary shares	19,980,646
10	E Fund – ICBC – FOTIC – FOTIC Steady Wealth FOF Single Fund Trust	16,131,400	Renminbi denominated ordinary shares	16,131,400

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

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

Name	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued share capital of the same class (%)	Shareholding percentage of the total issued share capital (%)
CITIC Corporation Limited	H share	Beneficiary owner	3,049,800,479(L)	20.49	6.23
	A share		28,938,928,294(L)	84.98	59.14
	H share	Interest of controlled corporations	10,313,000(L)	0.07	0.02
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		28,938,928,294(L)	84.98	59.14
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		28,938,928,294(L)	84.98	59.14
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		28,938,928,294(L)	84.98	59.14
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.83
	A share		28,938,928,294(L)	84.98	59.14
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000(L)	15.41	4.685
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Hong Kong Xinhu Investment Co., Ltd.	H share	Beneficiary owner	153,686,000(L)	1.03	0.314
		Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Huang Wei	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Li Ping	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
BlackRock, Inc.	H share	Interest of controlled corporations	762,325,965(L)	5.12	1.56
			336,000(S)	0.0023	0.0007

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

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

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

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

5.5 Controlling Shareholder and De Facto Controller of the Bank

5.5.1 Changes to Controlling Shareholder or De Facto Controller

During the reporting period, the Bank's controlling shareholder and de facto controller remained unchanged. As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank, and CITIC Group was the de facto controller of the Bank.

5.5.2 Information on Controlling Shareholder and De Facto Controller

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

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

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

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

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

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

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

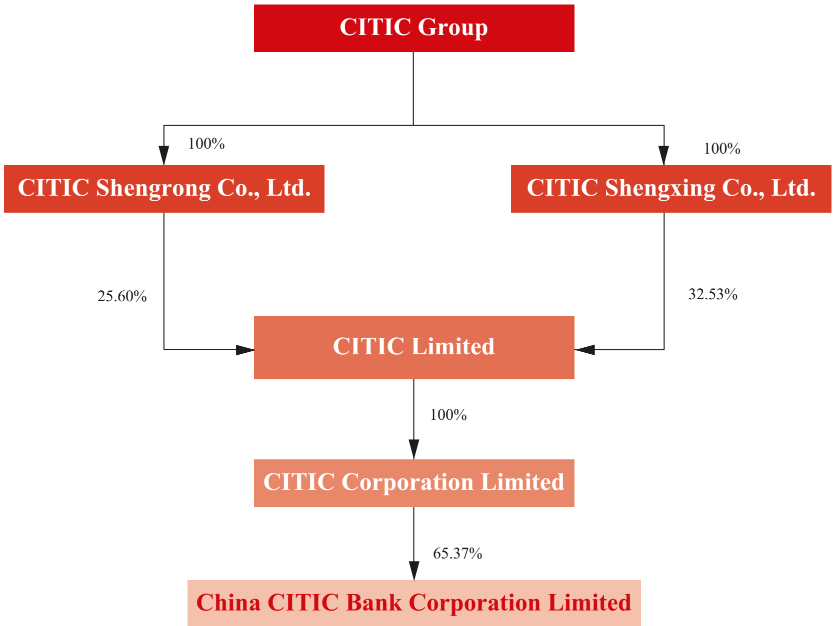
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued shares. As at 21 January 2017, the implementation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

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

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

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

As at the end of the reporting period, the ownership structure between the Bank, its controlling shareholder and its de facto controller was as follows[33]:



5.6 Information on Substantial Shareholders

As per the relevant provisions of the *Provisional Measures for the Management of Equity in Commercial Banks* promulgated by former CBRC, in addition to CITIC Corporation Limited, the substantial shareholders of the Bank also include Summit Idea Limited, China Tobacco and Poly Group.

Summit Idea Limited is a company incorporated in Hong Kong. As at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares, with 1,123,363,710 H shares of the Bank pledged as collateral as at the end of the reporting period. Summit Idea Limited is a wholly-owned subsidiary of Xinhu Zhongbao. In addition to the afore-mentioned stake, Hong Kong Xinhu Investment Co., Ltd, a wholly owned subsidiary of Xinhu Zhongbao, owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at the end of December 2018, the company recorded registered capital of RMB8.599 billion, total assets of RMB139.871 billion and net assets of RMB33.619 billion. The company is an industry leader in terms of the size, strength and quality of its real estate business. At the time of the report, Xinhu Zhongbao has developed more than 50 real estate projects in over 30 cities across the country with aggregate development area reaching over 30 million square meters. In terms of financial business, Xinhu Zhongbao has formed a financial investment pattern that covers securities, banking, insurance and futures, etc. At the same time, out of its commitment to build an integrated financial service ecosphere, it has made forward-looking investment and deployment in internet-based finance companies with leading market shares such as u51.com and Wind.

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

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

Poly Group is a large-scale central state-owned enterprise administered by the State-owned Assets Supervision and Administration Commission of the State Council. As at the end of the reporting period, Poly Group held 27,216,400 A shares of the Bank, accounting for 0.056% of the Bank's total shares, with no pledge of the Bank's equity as collateral. Poly Group was incorporated in 1992 with approval of the State Council and the Central Military Commission. Its registered place is 28th Floor, No. 1 Chaoyangmen Beidajie, Dongcheng District, Beijing and its legal representative is Zhang Zhengao. With registered capital of RMB2 billion, Poly Group is mainly engaged in the following core businesses: trade in military and civilian goods, real estate development, light industry research and development and related engineering services, arts and crafts business and services (both raw materials and products), culture and arts business, and production and sale of explosives for civilian uses and related services. Poly Group has established a development pattern focusing on international trade, real estate development, culture and arts business, production and sale of explosives for civilian uses, development and application of light industry materials and products, and development and utilization of raw materials for arts and crafts. Its business spreads over 100 countries around the world and more than 100 cities in China.

Chapter 6 Preference Shares

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

After obtaining the Reply of China Banking Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares and Amendment to the Articles of Association (CBRC Reply [2015] No.540) on 1 September 2015 and the Reply of China Securities Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares (CSRC License [2016] No.1971) on 14 October 2016, the Bank made the private offering of 350 million onshore preference shares each with a par value of RMB100 and issued at par on 21 October 2016. These shares were issued at par at 3.80% initial nominal dividend rate and with no maturity period. These 350 million preference shares, referred to as "CITIC Excellent 1" with the stock code of 360025, were listed on Shanghai Stock Exchange's Comprehensive Business Platform on 21 November 2016.

The above issue of preference shares raised total proceeds of RMB35,000,000,000, which came to net proceeds of RMB34,954,688,113 after deduction of the issuance costs, taxes and other expenses, and were fully used to replenish additional tier-one capital of the Bank. There was no unused balance of the proceeds.

The Proposal on Private Offering of Preference Shares and other relevant proposals were considered and adopted by the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019 of the Bank convened on 30 January 2019. The Bank plans to make a private offering of no more than 400 million (inclusive) preference shares in China, each with a par value of RMB100 and issued at par.

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

6.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period, the Bank recorded 31 accounts of preference shareholders. Information on the top 10 preference shareholders is set out in the table below.

Unit: shares

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

No.	Name of shareholder (full name)	Nature of shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen Status	Quantity
8	Xing Quan Rui Zhong Total Assets — Ping An Bank — Ping An Bank Co., Ltd.	Other	—	15,350,000	4.39	Onshore preference shares	—	—	—
9	Chuang Jin He Xin Fund — China Merchants Bank — China Merchants Bank Co., Ltd.	Other	—	10,960,000	3.13	Onshore preference shares	—	—	—
10	Bank of Communications Schroder Fund — Minsheng Bank — China Minsheng Bank Co., Ltd.	Other	—	8,770,000	2.51	Onshore preference shares	—	—	—
	China Resources Shenzhen Investment Trust Co., Ltd. — No. 1 Single Investment Trust Fund	Other	—	8,770,000	2.51	Onshore preference shares	—	—	—

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

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

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

6.3 Dividend Distribution for Preference Shares

6.3.1 Policy of dividend distribution for preference shares

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

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

6.3.2 Payment of dividends on preference shares during the reporting period

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

6.3.3 Plan on payment of dividends on preference shares

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

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

Unit: RMB million

Item	2018	2017	2016
Distribution amount	**1,330**	1,330	—
Distribution ratio	**100%**	100%	—

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

6.4 Redemption or Conversion of Preference Shares

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

6.5 Restoration of Voting Right of Preference Shares

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

6.6 Accounting Policies for Preference Shares and the Underlying Reasons

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

Chapter 7 Convertible Corporate Bonds

7.1. Overview

On 4 March 2019, the Bank completed the issuance of A share convertible corporate bonds (hereinafter referred to as "convertible bonds"), raising total proceeds of RMB40 billion, which came to net proceeds about RMB39.916 billion after deduction of the issuance costs. These A share convertible bonds, referred to as "CITIC Convertible Bonds" with the stock code of 113021, were listed on the SSE for trading on 19 March 2019.

7.2. Convertible Bond Holders and Guarantors during the Reporting Period

Unit: RMB Yuan

Convertible bond holders at the period end (accounts)		**17,962**
Guarantors of convertible bonds of the Bank		**None**
Top ten convertible bond holders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held (%)**
CITIC Corporation Limited	26,388,000,000	65.97
China National Tobacco Corporation	2,521,129,000	6.30
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China (ICBC))	935,809,000	2.34
CITIC Securities — "Xinxinxiangrong (鑫鑫向榮) B" RMB wealth management product in the PSBC (Postal Savings Bank of China) Wealth Series — Xinsheng No.1 single asset management plan of CITIC Securities	917,178,000	2.29
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	465,069,000	1.16
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	391,046,000	0.98
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	343,692,000	0.86
Orient Securities Co., Ltd.	327,691,000	0.82
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	299,079,000	0.75
Specific account for collateralized bond repurchase in the securities depository and clearing system (Bank of Communications)	223,517,000	0.56

7.3. Changes in Convertible Bonds during the Reporting Period

For the A share convertible bonds issued by the Bank, the commencement date of the conversion period will be 11 September 2019, i.e. the first trading day after six months from the completion of the issuance; and the ending date will be 3 March 2025, i.e. the bond maturity date. As at the end of reporting period, the A share convertible bonds issued by the Bank hadn't entered the conversion period.

7.4. Previous Adjustments of Conversion Prices

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

Unit: RMB Yuan

Date of adjustment	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment
22 July 2019	7.22	15 July 2019	China Securities Journal, Shanghai Securities News, Securities Times, SSE website, website of the Bank	The implementation of profit distribution for 2018
The latest conversion price at the disclosure date of the report				7.22

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

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

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

8.1 Basic Information on Directors, Supervisors and Senior Management Members

As at the disclosure date of the Report, the basic information of directors, supervisors and senior management members of the Bank was set out as below:

8.1.1 Directors

Name	Title	Name	Title
Li Qingping	Chairperson, Executive Director	Cao Guoqiang	Non-executive Director
Fang Heying	Executive director, President & Chief Financial Officer	Huang Fang	Non-executive Director
Wan Liming	Non-executive Director	He Cao	Independent Non-executive Director
Chen Lihua	Independent Non-executive Director	Qian Jun	Independent Non-executive Director
Yan Lap Kei Isaac	Independent Non-executive Director		

8.1.2 Supervisors

Name	Title	Name	Title
Liu Cheng	Chairman of the Board of Supervisors, Employee Representative Supervisor	Deng Changqing	Shareholder Representative Supervisor
Wang Xiuhong	External Supervisor	Jia Xiangsen	External Supervisor
Zheng Wei	External Supervisor	Li Gang	Employee Representative Supervisor
Chen Panwu	Employee Representative Supervisor	Zeng Yufang	Employee Representative Supervisor

8.1.3 Senior Management Members

Name	Title	Name	Title
Fang Heying	Executive Director, President & Chief Financial Officer	Guo Danghuai	Vice President
Yang Yu	Vice President	Mo Yue	Secretary of the Committee for Disciplinary Inspection
Hu Gang	Vice President	Xie Zhibin	Vice President
Yao Ming	Chief Risk Officer	Lu Wei	Business Director
Lu Jingen	Business Director	Lü Tiangui	Business Director
Zhang Qing	Secretary to the Board of Directors	Liu Honghua	Business Director

8.2 Appointment and Departure of Directors, Supervisors and Senior Management Members

8.2.1 Directors

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

8.2.2 Supervisors

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

In August 2019, all employee representatives at the Employee Representative Assembly of the Bank by-elected Mr. Li Gang employee representative supervisor of the 5th session of the Board of Supervisors of the Bank. According to relevant regulatory rules and the Articles of Association of the Bank, Mr. Li Gang officially assumed his position of employee representative supervisor of the 5th session of the Board of Supervisors of the Bank on 16 August 2019.

8.2.3 Senior Management Members

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

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

In February 2019, Mr. Xie Zhibin joined the Bank as party committee member. The meeting of the Board of Directors of the Bank on 26 March 2019 deliberated and approved related proposals on engaging Mr. Xie Zhibin to be Vice President of the Bank as of the date when the CBIRC approves his qualification for office. Upon the CBIRC's approval, from 18 June 2019, Mr. Xie Zhibin officially assumed the position of the Vice President of the Bank.

The meeting of the Board of Directors of the Bank on 26 March 2019 deliberated and approved related proposals on engaging Ms. Zhang Qing to be Secretary to the Board of Directors, Company Secretary and other related positions of the Bank as of the date when the CBIRC approves her qualification for Secretary to the Board of Directors. Upon the CBIRC's approval, as of 1 July 2019, Ms. Zhang Qing officially assumed the position of the Secretary to the Board of Directors of the Bank. The appointment of Ms. Zhang Qing as Company Secretary and other related positions of the Bank also took effect on 1 July 2019.

The meeting of the Board of Directors of the Bank on 25 April 2019 deliberated and approved related proposals on engaging Mr. Lu Wei as Business Director of the Bank. Mr. Lu Wei would no longer be Secretary to the Board of Directors, Company Secretary and other related positions of the Bank since the date when Ms. Zhang Qing officially assume her position as Secretary to the Board of Directors of the Bank. As on 1 July 2019 Ms. Zhang Qing officially assumed the position of the Secretary to the Board of Directors of the Bank, since 1 July 2019 Mr. Lu Wei ceased to be Secretary to the Board of Directors, Company Secretary and other related positions of the Bank and officially took office as Business Director of the Bank.

The meeting of the Board of Directors of the Bank on 26 March 2019 deliberated and approved related proposals on engaging Mr. Liu Honghua to be Business Director of the Bank as of the date when the CBIRC approves his qualification. Upon the CBIRC's approval, from 5 August 2019, Mr. Liu Honghua officially assumed the position of the Business Director of the Bank.

8.3 Shareholdings of Directors, Supervisors and Senior Management Members at the Bank during the Reporting Period

During the reporting period, none of the Bank's directors, supervisors or senior management members, whether incumbent or non-incumbent during the reporting period, held any shares, share options or restrictive shares of the Bank. Furthermore, there was no change in this regard during the reporting period.

8.4 Position Changes of Directors, Supervisors and Senior Management Members

Except for the above disclosures, there was no other change in the positions of directors, supervisors or senior management members of the Bank that requires disclosure pursuant to Article 13.51B (1) of the Hong Kong Listing Rules during the reporting period.

8.5 Profile of Staff and Affiliates

8.5.1 Number of Staff and Profile of Affiliates

As at the end of the reporting period, the Group had 55,290 employees of all categories, including 52,701 employees under labor contracts with the Group, 2,589 employees dispatched to the Group or hired with letters of engagement by the Group, and 1,505 retirees.

Region	Name of affiliate	Address/postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Head Office	Headquarters	Address: No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing Postal Code: 100010	1	1,791	1,998,017
	Credit Card Center	Address: CITIC Bank Building, No. 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,700	495,059
Bohai Rim	Beijing Branch	Address: Tower A, Investment Plaza, No. 27 Financial Street, Xicheng District, Beijing Postal Code: 100033	77	2,969	981,061
	Tianjin Branch	Address: 3-8/F Tianjin Global Financial Center, No. 2 North Dagu Road, Heping District, Tianjin Postal Code: 300020	34	989	84,535
	Shijiazhuang Branch	Address: CITIC Tower, No. 10 Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	63	1,759	88,304
	Jinan Branch	Address: CITIC Plaza, No. 150 Leyuan Street, Jinan, Shandong Province Postal Code: 250002	46	1,515	102,411
	Qingdao Branch	Address: No. 22 Mid Hong Kong Road, Qingdao, Shandong Province Postal Code: 266071	53	1,654	92,849
	Dalian Branch	Address: No. 29 Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116011	24	847	50,086

Region	Name of affiliate	Address/postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Yangtze River Delta	Shanghai Branch	Address: CITIC Bank Building, No. 138 Expo Road, Pudong New Area, Shanghai Postal Code: 200126	50	1,640	346,469
	Nanjing Branch	Address: CITIC Tower, No. 348 Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	85	3,077	378,963
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	29	1,031	133,860
	Hangzhou Branch	Address: No. 9 East Jiefang Road, Jianggan District, Hangzhou, Zhejiang Province Postal Code: 310016	89	3,298	451,334
	Ningbo Branch	Address: CITIC Bank Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	27	834	93,797
Pearl River Delta and West Strait	Fuzhou Branch	Address: Hengli Financial Center, No. 6 Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350000	56	1,439	74,119
	Xiamen Branch	Address: Unit 101, 201, 301 and 401, No. 334 Hubing South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	17	480	20,897
	Guangzhou Branch	Address: CITIC Plaza, No. 233 North Tianhe Road, Guangzhou, Guangdong Province Postal Code: 510613	103	3,255	377,072
	Shenzhen Branch	Address: 5-10/F, Northern Tower, Phase II Time Square, No. 8 Third Central Road, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	45	1,477	361,421
	Haikou Branch	Address: Banshan Hua Yuan, No.1 Middle Jinmao Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	12	335	10,583
Central Region	Hefei Branch	Address: No. 396 Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,071	98,554
	Zhengzhou Branch	Address: CITIC Mansion, No.1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	82	2,267	203,627
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430015	46	1,401	144,823
	Changsha Branch	Address: No. 1500 Third Section of North Xiangjiang Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	40	1,165	75,088
	Nanchang Branch	Address: Tower A, No. 16 Hengmao Guoji Huacheng, No. 333, South Square Road, Nanchang, Jiangxi Province Postal Code: 330003	20	654	62,017
	Taiyuan Branch	Address: No. 9 Fuxi Street, Xinghualing District, Taiyuan, Shanxi Province Postal Code: 030002	30	900	41,893

Region	Name of affiliate	Address/postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Western Region	Chongqing Branch	Address: No. 5 Jiangbeizui West Avenue, Jiangbei District, Chongqing Postal Code: 400021	29	1,021	133,505
	Nanning Branch	Address: No. 36-1 Shuangyong Road, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	18	529	41,497
	Guiyang Branch	Address: II Northern Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	14	415	35,570
	Hohhot Branch	Address: CITIC Building, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	34	896	57,363
	Yinchuan Branch	Address: No. 160 Middle Beijing Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	244	15,805
	Xining Branch	Address: No.1 Jiaotong Lane, Chengxi District, Xining, Qinghai Province Postal Code: 810008	10	218	9,729
	Xi'an Branch	Address: No. 1 Middle Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	38	1,051	73,065
	Chengdu Branch	Address: La Défense Tower, No.1480 North Section of Tianfu Avenue, High-Tech Area, Chengdu, Sichuan Province Postal Code: 610042	46	1,198	137,422
	Urumqi Branch	Address: CITIC Bank Tower, No.165 North Xinhua Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	10	347	25,373
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunan Province Postal Code: 650021	32	773	42,605
	Lanzhou Branch	Address: No. 638 West Donggang Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	14	323	13,135
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code:850000	2	106	6,470

Region	Name of affiliate	Address/postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Northeastern region	Harbin Branch	Address: CITIC Tower, No. 236 Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	500	27,481
	Changchun Branch	Address: No. 1177 Changchun Avenue, Changchun, Jilin Province Postal Code:130000	19	460	32,639
	Shenyang Branch	Address: No. 336 Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code:110014	50	1,417	44,941
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG, UK	1	24	1,855
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	6	—

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 961 employees at its direct affiliates Data Center and Software Development Center; as well as four employees dispatched to JSC Altyn Bank.

(2) The Credit Card Center mentioned in the above table had 72 sub-centers and 5,700 employees in total.

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

8.5.2 Human Resources Management

During the reporting period, with its overall development plan in mind, the Bank practiced the strategy of "basing its development on talent", took concreted actions, made bold changes and sought for optimization, and continued to push forward the reform on human resources. The Bank refined its employee recruitment and allocation system, conducted surveys on managerial personnel, improved the structure of managers, and deepened the building of manager echelons. It promoted the application of Objectives and Key Results (OKR) performance appraisal tools, gave the guiding roles of incentives and restraints into better play, and focused attention on putting related strategies into operation. It supported branches in refining and adjusting their organizational structure, allocated personnel in a differentiated way, and introduced varying development strategies for different regions. The Bank did more to introduce more talents for such key business fields as fin-tech, made sure there was an adequate supply of personnel for key business lines, and continuously kept allowing competent employees to support and boost the business development. It continued to push forward the "Double Hundred, Double Thousand" project to cultivate four teams of personnel, organized all employees to take examination for qualification certification, promoted the digitalized learning methods in a systematical way, and helped employees to enhance their both professional competence and career development; it enhanced the role of human resources service management and innovated service methods and approaches for the constantly improving human resources management.

Chapter 9 Corporate Governance

9.1 Overview of Corporate Governance

During the reporting period, the Bank kept keenly aware of the objective requirements presented by the regulatory environment. Proceeding from the objective needs of pursuing high-quality development, it further refined the corporate governance system and mechanism, strengthened institutional development, intensified duty performance management, introduced more diverse duty performance channels, and boosted duty performance capabilities, with various governance bodies operating in a more coordinated way. Engagement of each and every member of the Board of Directors was decided based on comprehensive consideration of the competence, skills, knowledge and experience needed for overall operation of the Board of Directors. The membership composition of the Board of Directors complied with Code A.5.6 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules regarding diversification of members of the Board of Directors. The Board of Supervisors of the Bank, focusing on the central work of the Bank and basing on its statutory status, duties and obligations, earnestly performed its supervisory duties, continued to strengthen its team building, and further sought for professional and standardized operation, so as to better adapt to the new situation and meet new requirements. The Bank implemented decisions made by Board of Directors and Board of Supervisors with greater vigor, facilitating better application of governance results. The corporate governance framework of the Bank and its operation complied with relevant provisions and requirements of the CBIRC, securities regulators of its listing venues and the listing rules. This ensured full function of Board of Directors, Board of Supervisors and their specialized committees, safeguarding the Bank's development with robust corporate governance.

During the reporting period, in accordance with its Articles of Association, the Bank convened four general meetings, six meetings of the Board of Directors and five meetings of the Board of Supervisors. The general meetings included the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019, and the 2018 Annual General Meeting. The general meetings, the meetings of the Board of Directors and those of the Board of Supervisors were all held in compliance with relevant laws and regulations and the procedures specified in the Articles of Association of the Bank.

9.2 Convening of General Meetings and Meetings of the Board of Directors and the Board of Supervisors

9.2.1 General Meetings

During the reporting period, the Bank convened the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019 on 30 January 2019, and the 2018 Annual General Meeting on 24 May 2019 in accordance with the listing rules of the two listing venues and its Articles of Association. At these meetings, it deliberated and approved a total of 19 proposals, which included those regarding the Further Extension of the Validity Period of the Resolution of the General Meeting in respect of the Public Issuance of A Share Convertible Corporate Bonds, and Proposal to the General Meeting for Further Extension of the Authorization Period to the Board of Directors for Handling of Matters in Relation to the Issuance and Listing of A Share Convertible Corporate Bonds, the Bank's 2018 Annual Report, 2018 Final Accounts Report, 2018 Profit Distribution Plan, 2019 Financial Budget Plan, 2019 Plan for Engagement of Accounting Firms and Their Fees, 2018 Special Report on Related Party Transactions, 2018 Report of the Board of Directors, 2018 Report of the Board of Supervisors, Issuance of Undated Capital Bonds, Election of Mr. Guo Danghuai as Executive Director of the Fifth Session of the Board of Directors of the Bank, Plan for Non-public Offering of Preference Shares, General Authorization to Issue Financial Bonds and Tier-two Capital Bonds, and Formulation of Administrative Measures on Equity Management of China CITIC Bank. As such, the general meetings safeguarded legitimate rights and interests of all shareholders, ensured lawful exercise of rights by shareholders, and were critical for promoting long-term, robust and sustainable development of the Bank. Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 31 January 2019 and 25 May 2019 for detailed information thereof.

9.2.2 Board of Directors

During the reporting period, the Board of Directors of the Bank convened a total of six meetings in accordance with the listing rules of the two listing venues and the Bank's Articles of Association. At those meetings the Board of Directors deliberated and adopted 41 proposals, including those respectively regarding the Bank's 2018 Annual Report, 2018 Sustainability Report, 2018 Profit Distribution Plan, 2019 Business Plan, 2019 Financial Budget Plan, 2019 Plan for Engagement of Accounting Firms and Their Fees, Issuance of Undated Capital Bonds, 2018 Report on Management of Capital Adequacy Ratios, 2018 Report on Capital Adequacy Ratio, 2018 Report on Internal Assessment of Capital Adequacy, 2019 Statement on Risk Preference and Programs of Consolidated Subsidiaries on Risk Preference, 2018 Internal Control Assessment Report, 2018 Special Report of Related Party Transactions, 2018 Major Shareholder Equity Management Report, 2018 Report of the Board of Directors, 2019 Work Plan of the Board of Directors, Report for the First Quarter of 2019, Report of the Board of Directors on Annual Performance Assessment of Directors in 2018, Appointment of Mr. Fang Heying as the President of the Bank, Appointment of Mr. Xie Zhibin as the Vice President of the Bank, Appointment of Ms. Zhang Qing as the Secretary to the Board of Directors, Appointment of Mr. Liu Honghua as the Business Director of the Bank, Nomination of Mr. Guo Danghuai as the Candidate for Executive Director of the Fifth Session of the Board of Directors, Appointment of Mr. Lu Wei as the Business Director of the Bank, and Increase in Capital and Shares with CITIC aiBank Corporation Limited. Besides, related proposals were submitted to general meetings of shareholders for resolution by voting in accordance with the provisions of the Articles of Association of the Bank. At the same time, the Board of Directors regularly listened to presentations on the implementation of the agreed matters to ensure effective application of results of board meetings.

During the reporting period, the Board of Directors listened to a total of 22 reports and held discussions about related conditions. These reports include the 2018 Operating Results and 2019 Business Plan, 2018 Report on the Disposal of Non-performing Assets, Report on the Plan Implementation of 2018, 2018 Report on the Implementation of the Consolidated Management, 2018 Report on Liquidity Risk Management, 2018 Report on Comprehensive Risk Management, 2018 Report on Credit Risk Internal Rating System, Report on Business Cooperation with the Top Ten Credit Customers (Groups), 2018 Internal Control and Compliance Report, 2018 Information Technology Risk Management Report, 2018 Appraisal and Evaluation Report on Foreign Exchange Management, 2018 Report on Consumer Rights Protection and Service Quality, 2019 First Quarter Report on Business Operation, 2019 First Quarter Report on Comprehensive Risk Management, 2018 Innovation Work Report, and 2018 Report on Outsourcing Risk Assessment. In addition, the Board of Directors gained a comprehensive understanding of the business management, risk management, data governance and consumer rights protection of the Bank by reviewing reference materials submitted by the management.

During the reporting period, the independent directors of the Bank actively performed their due diligence by attending the meetings of general meetings, meetings of the Board of Directors and its specialized committees, reviewing the proposals, listening to the reports, receiving themed trainings on corporate governance organized by the regulatory authorities, visiting the branches and institutions of the Bank for field surveys, and voicing independent opinions on material issues.

9.2.3 Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held a total of five meetings in accordance with the listing rules of the two listing venues and the Bank's Articles of Association. The meetings deliberated and adopted 15 proposals including the Bank's 2018 Annual Report, 2018 Sustainable Development Report, 2018 Internal Control Assessment Report, 2018 Profit Distribution Plan, 2018 Report of the Board of Supervisors, Report for the First Quarter of 2019, and 2018 Duty Performance Evaluation Report of the Board of Supervisors on the Board of Directors, the Board of Supervisors, the Senior Management and Their Members. As such, the Board of Supervisors actively performed its supervisory duties and responsibilities.

During the reporting period, the Board of Supervisors, focusing on the central tasks of the Bank, placed financial activities, risk management, internal control and performance of due diligence under more stringent supervisory scrutiny. The supervisors listened to a total of 18 reports, including the Bank's 2018 Business Operation and 2019 Business Plan Report, 2018 Report on the Implementation of the Consolidated Management, 2018 Report on Comprehensive Risk Management, 2018 Internal Control Compliance Report, and 2019 First Quarter Report on Business Operation and Comprehensive Risk Management. By doing so, the Board of Supervisors learnt about the Bank's operation and management status, and expressed opinions or suggestions on materials issues. And the follow-up and implementation of the meeting resolutions of Board of Supervisors and supervisory suggestions were enhanced to promote the use of supervisory results and effectively improve supervisory effectiveness.

During the reporting period, the Board of Supervisors went to branches and subsidiaries for field research and surveys, gave full play to the specialties of members, focused on in-depth discussions, produced special reports, and put forth systematic and targeted opinions and suggestions for the reference of the Board of Directors and the management. In the meantime, it helped to promote the Bank toward continuously stable operation and development.

During the reporting period, members of the Board of Supervisors of the Bank attended the meetings of the Board of Directors and the general meetings of the Bank as non-voting delegates to ensure adequate supervision over the decision-making process of the Bank's significant events.

9.3 Information Disclosure

During the reporting period, the Bank strictly followed the principles of truthfulness, accuracy, completeness, timeliness and fairness. It issued the 2018 Annual Report, the Report for the First Quarter of 2019 and 180 related interim annoucements and documents at the SSE and the SEHK. At the same time, in the light of the information needs raised by stakeholders such as investors, the Bank continued to refine the framework and contents of its periodic reports, increased the voluntary disclosure of interim annoucements, constantly improved the pertinence and effectiveness of information disclosure, and provided investors with timely, sufficient and effective information to substantially protect shareholders and investors' right to know.

The Bank kept bringing information disclosure under meticulous management and exercising more rigid control over related processes and quality. It proactively boosted internal and external communication, reasonably planed disclosure with tools such as information disclosure item tracking sheet, consolidated the foundation for announcement compliance, and ensured that all disclosure works could be advanced in an orderly manner. At the same time, the Bank managed insider information and insiders, standardized the information transmission process, intensified the management of insider information, and actively prevented the risks of insider information divulgence and insider trading in strict accordance with the regulatory requirements of the listing venues and its own regulations. With all of these efforts, it managed to carry out information disclosure in a compliant and orderly way.

9.4 Management of Related Party Transactions

During the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the regulatory requirements of the CBIRC, the CSRC, the SSE and the SEHK. Further efforts were made to refine its policies and mechanisms for such management in combination with the regulatory policy trends and the requirements of new regulations. As a result, the Bank was able to raise the awareness for compliance of related party transactions, enhance the efficiency, degree of refinement, and application of IT in the management of related party transactions, promote the creation of synergistic value and shareholder value under the premise of compliance, and protect the interests of shareholders and investors substantially.

The Bank always upheld its management mechanism that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the Senior Management, and duty division and collaboration among units. Specifically, it effectively performed its obligations of reviewing and disclosing related party transactions, reported material related party transactions to the Board of Directors for deliberation on a case-by-case basis, and disclosed such transactions and filed them with the CBIRC and the Board of Supervisors for recording timely, in strict compliance with relevant requirements on the management of related party transactions. The Audit and Related Party Transactions Control Committee under the Board of Directors consisted fully of independent non-executive directors who carried out preliminary review of material related party transactions and expressed independent opinions thereabout on behalf of minority shareholders to ensure that such transactions were made in a fair manner on terms no more favorable than those available to independent third parties and in the overall interests of the Bank and all of its shareholders.

During the reporting period, the Bank strictly followed the regulatory requirements on related party transactions in alignment with the new policies and regulations. Pursuant to the Provisional Measures for Equity Management of Commercial Banks and the supporting documents thereof promulgated by the CBIRC in 2018, the Bank acted on the regulatory requirements timely, examined and revised its administrative measures on related party transactions systematically, and guaranteed the effectiveness of policies and systems on related party transactions. Besides, it took the initiative to keep communication and coordination with its major shareholders, extensively solicited related information and updated the list of related parties strictly following the scope of identification set out by the new requirements, and laid a solid foundation for the efficient identification and management of related party transactions. The Bank actively boosted policy communication, refined the mechanism through which related party transactions were reported and considered by the Board of Directors, and strengthened the quota management of related party transactions as required by the CBIRC as well as the management of caps on related party transactions in the 2018-2020 period pursuant to the rules of the SSE and the SEHK. While promoting the development of related party transaction system in the second phase, it continued to improve its management of such transactions with information technology. Also the Bank advocated the related party transaction compliance culture, organized self-inspections on these transactions, and made sure such transactions could be conducted in a compliant and orderly way.

9.5 Management of Investor Relations

The Bank built a multi-layer investor communication and service system. To begin with, the Bank conducted comprehensive in-depth interactions with its investors through channels and approaches such as results releases, road shows, general meetings of shareholders, online briefings on cash dividend distribution, meetings with visiting investors, investor forums, the investor hotline and email Q&A and the SSE e-interaction platform. In addition, the Bank established and maintained an information database covering institutional investors, individual investors and minority shareholders. In the light of the information needs of investors, the Bank publicized its operational highlights and continuously interacted with investors. At the same time, the Bank listened carefully to investor suggestions, proactively tracked institutional research opinions and investor concerns, continuously kept an eye on how research institutions rated its stocks and analyzed its business performance and transmitted concerns of the capital market inward in a timely manner, achieving effective interaction with market participants.

During the reporting period, the Bank further strengthened its communication with the capital market, and actively publicized its business strategies on aspects such as continuing its business transformation, strengthening its risk prevention and control and consolidating its development foundation, so as to promote investors' understanding of the Bank. The Bank held annual results releases and explanations in Beijing and Hong Kong, and organized road shows in mainland China, Hong Kong and other countries and regions. The senior management communicated with more than 200 important institutional investors at home and abroad to guide reasonable market expectation of the Bank's outlook and in-depth understanding of the Bank's investment value. In addition, the Bank received capital market participants for more than 700 person-times cumulatively by offline interaction like investor activities and meeting with visiting investors and online interaction such as email and telephone. In addition, the Bank responded enthusiastically to regulatory calls by boosting publicity on investor protection and fulfilling its social responsibility as a listed company through such platforms as its official WeChat account and investor meetings.

Chapter 10 Report on Review of Interim Financial Information

To the Board of Directors of China CITIC Bank Corporation Limited

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 106 to 204, which comprises the consolidated interim statement of financial position of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2019 and the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity, the consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2019

Chapter 10 Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2019 Unaudited	2018 Unaudited
Interest income		**126,427**	112,379
Interest expense		**(69,265)**	(62,571)
Net interest income	4	**57,162**	49,808
Fee and commission income		**31,193**	24,279
Fee and commission expense		**(2,901)**	(2,417)
Net fee and commission income	5	**28,292**	21,862
Net trading gain	6	**2,682**	3,449
Net gain from investment securities	7	**4,941**	6,295
Net hedging (losses)/gain		**(3)**	4
Other operating income/(expenses)		**118**	(38)
Operating income		**93,192**	81,380
Operating expenses	8	**(24,673)**	(22,563)
Operating profit before impairment		**68,519**	58,817
Credit impairment losses	9	**(33,956)**	(26,028)
Impairment losses on other assets	10	**(234)**	(133)
Revaluation gain on investment properties		**6**	8
Share of loss of associates and joint ventures		**107**	(222)
Profit before tax		**34,442**	32,442
Income tax expense	11	**(5,605)**	(6,267)
Profit for the period		**28,837**	26,175
Profit attributable to:			
Equity holders of the Bank		**28,307**	25,721
Non-controlling interests		**530**	454
Profit for the period		**28,837**	26,175
Other comprehensive income, net of tax:	12	**257**	4,204
Items that will not be reclassified to profit or loss (net of tax):			
— Net changes on the measurement of defined benefit plan		**(1)**	(1)
— Fair value changes on financial investments designated at fair value through other comprehensive income		**44**	10
Items that may be reclassified subsequently to profit or loss (net of tax):			
— Other comprehensive income transferable to profit or loss under equity method		**1**	—
— Fair value changes on financial assets at fair value through other comprehensive income		**(108)**	3,557
— Impairment allowance on financial assets at fair value through other comprehensive income		**524**	116
— Exchange difference on translating foreign operations		**(203)**	522
Other comprehensive income, net of tax	12	**257**	4,204
Total comprehensive income for the period		**29,094**	30,379
Total comprehensive income attribute to:			
Equity holders of the Bank		**28,464**	30,014
Non-controlling interests		**630**	365
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	13	**0.58**	0.53
Diluted earnings per share (RMB)		**0.55**	0.53

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

Chapter 10 Consolidated Interim Statement of Financial Position

As at 30 June 2019

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	30 June 2019 Unaudited	31 December 2018 Audited
Assets			
Cash and balances with central banks	14	**413,966**	538,708
Deposits with banks and non-bank financial institutions	15	**49,914**	99,153
Precious metals		**10,358**	4,988
Placements with and loans to banks and non-bank financial institutions	16	**173,887**	176,160
Derivative financial assets	17	**18,626**	31,991
Financial assets held under resale agreements	18	**44,710**	10,790
Loans and advances to customers	19	**3,735,763**	3,515,650
Financial investments	20	**1,789,718**	1,600,163
— at fair value through profit or loss		**308,433**	308,872
— at amortised cost		**924,893**	778,238
— at fair value through other comprehensive income		**552,914**	510,346
— designated at fair value through other comprehensive income		**3,478**	2,707
Investments in associates and joint ventures	21	**3,672**	3,881
Investment properties	23	**440**	443
Property, plant and equipment	24	**21,210**	21,385
Right-of-use assets	25	**12,469**	—
Intangible assets		**1,736**	1,879
Goodwill	26	**896**	896
Deferred tax assets	27	**26,745**	23,174
Other assets	28	**94,693**	37,453
Total assets		**6,398,803**	6,066,714
Liabilities			
Borrowings from central banks		**237,279**	286,430
Deposits from banks and non-bank financial institutions	30	**846,035**	782,264
Placements from banks and non-bank financial institutions	31	**59,717**	115,358
Financial liabilities at fair value through profit or loss		**—**	962
Derivative financial liabilities	17	**18,791**	31,646
Financial assets sold under repurchase agreements	32	**42,968**	120,315
Deposits from customers	33	**4,034,436**	3,649,611
Accrued staff costs	34	**9,225**	10,549
Taxes payable	35	**5,217**	4,920
Debt securities issued	36	**606,403**	552,483
Lease liabilities	25	**10,883**	—
Provisions	37	**4,589**	5,013
Deferred tax liabilities	27	**13**	16
Other liabilities	38	**51,289**	54,061
Total liabilities		**5,926,845**	5,613,628

Chapter 10 Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2019 Unaudited**	31 December 2018 Audited
Equity			
Share capital	39	**48,935**	48,935
Other equity instruments	40	**38,090**	34,955
Capital reserve	41	**58,977**	58,977
Other comprehensive income	42	**5,426**	5,269
Surplus reserve	43	**34,450**	34,450
General reserve	44	**74,255**	74,255
Retained earnings	45	**196,872**	179,820
Total equity attributable to equity holders of the Bank		**457,005**	436,661
Non-controlling interests	46	**14,953**	16,425
Total equity		**471,958**	453,086
Total liabilities and equity		**6,398,803**	6,066,714

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

Approved and authorised for issue by the board of directors on 27 August 2019.

Li Qingping	**Fang Heying**	**Li Peixia**	**Company stamp**
Legal Representative (Chairperson)	*Executive Director President and Chief Financial Officer*	*General Manager of Finance Department*	

For the six months ended 30 June 2019
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 31 December 2018/1 January 2019		**48,935**	**34,955**	**58,977**	**5,269**	**34,450**	**74,255**	**179,820**	**7,933**	**8,492**	**453,086**
(i) Profit for the period		—	—	—	—	—	—	28,307	259	271	28,837
(ii) Other comprehensive income	12	—	—	—	157	—	—	—	100	—	257
Total comprehensive income		—	—	—	157	—	—	28,307	359	271	29,094
(iii) Issuing of other equity instruments											
— Convertible corporate bonds		—	3,135	—	—	—	—	—	—	—	3,135
— Capital securities		—	—	—	—	—	—	—	—	(1,825)	(1,825)
(iv) Profit appropriations											
— Dividend distribution to ordinary shareholders of the Bank	45	—	—	—	—	—	—	(11,255)	—	—	(11,255)
— Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(6)	—	(6)
— Dividend distribution to other equity instruments holders	46	—	—	—	—	—	—	—	—	(271)	(271)
As at 30 June 2019		**48,935**	**38,090**	**58,977**	**5,426**	**34,450**	**74,255**	**196,872**	**8,286**	**6,667**	**471,958**

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 31 December 2017		48,935	34,955	58,977	(11,784)	31,183	74,251	163,121	7,646	5,149	412,433
Change in accounting policy		—	—	—	4,544	(939)	—	(9,502)	(235)	—	(6,132)
As at 1 January 2018		48,935	34,955	58,977	(7,240)	30,244	74,251	153,619	7,411	5,149	406,301
(i) Profit for the period		—	—	—	—	—	—	25,721	312	142	26,175
(ii) Other comprehensive income	12	—	—	—	4,293	—	—	—	(89)	—	4,204
Total comprehensive income		—	—	—	4,293	—	—	25,721	223	142	30,379
(iii) Profit appropriations											
— Dividend distribution to ordinary shareholders of the Bank	45	—	—	—	—	—	—	(12,772)	—	—	(12,772)
— Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(5)	—	(5)
— Dividend distribution to other equity instruments holders	46	—	—	—	—	—	—	—	—	(142)	(142)
As at 30 June 2018		48,935	34,955	58,977	(2,947)	30,244	74,251	166,568	7,629	5,149	423,761

Chapter 10 Consolidated Interim Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 31 December 2017		48,935	34,955	58,977	(11,784)	31,183	74,251	163,121	7,646	5,149	412,433
Change in accounting policy	3(c)	—	—	—	4,544	(939)	—	(9,502)	(235)	—	(6,132)
As at 1 January 2018		48,935	34,955	58,977	(7,240)	30,244	74,251	153,619	7,411	5,149	406,301
(i) Net profit		—	—	—	—	—	—	44,513	574	289	45,376
(ii) Other comprehensive income	12	—	—	—	12,509	—	—	—	(47)	—	12,462
Total comprehensive income		—	—	—	12,509	—	—	44,513	527	289	57,838
(iii) Contribution by non-controlling shareholders	46	—	—	—	—	—	—	—	—	3,343	3,343
(iv) Profit appropriations											
— Appropriations to surplus reserve	43	—	—	—	—	4,206	—	(4,206)	—	—	—
— Appropriations to general reserve	44	—	—	—	—	—	4	(4)	—	—	—
— Dividend distribution to ordinary shareholders of the Bank	45	—	—	—	—	—	—	(12,772)	—	—	(12,772)
— Dividend distribution to preference shareholders of the Bank	40	—	—	—	—	—	—	(1,330)	—	—	(1,330)
— Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(5)	—	(5)
— Dividend distribution to other equity instruments holders	46	—	—	—	—	—	—	—	—	(289)	(289)
As at 31 December 2018		48,935	34,955	58,977	5,269	34,450	74,255	179,820	7,933	8,492	453,086

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

Chapter 10 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Operating activities		
Profit before tax	**34,442**	32,442
Adjustments for:		
— revaluation (gain)/loss on investments, derivatives and investment properties	**(526)**	3,606
— investment gain	**(3,445)**	(682)
— net loss/(gain) on disposal of property, plant and equipment, intangible assets and other assets	**32**	(17)
— unrealised foreign exchange gain	**(458)**	(28)
— credit impairment losses	**33,956**	26,028
— impairment losses on other assets	**234**	133
— depreciation and amortisation	**1,366**	1,399
— interest expense on debt securities issued	**11,361**	11,326
— dividend income from equity investment	**(180)**	(26)
— depreciation of right-of-use assets and interest expense on lease liabilities	**1,845**	—
— income tax paid	**(9,247)**	(9,490)
Subtotal	**69,380**	64,691
Changes in operating assets and liabilities:		
Decrease in balances with central banks	**44,895**	41,888
Decrease in deposits with banks and non-bank financial institutions	**9,342**	5,023
(Increase)/Decrease in placements with and loans to banks and non-bank financial institutions	**(26,791)**	485
Decrease at fair value through the profit or loss in financial assets	**7,742**	111,519
Increase in financial assets held under resale agreements	**(33,940)**	(8,987)
Increase in loans and advances to customers non-bank financial institutions	**(262,403)**	(211,393)
(Decrease)/Increase in borrowings from central banks	**(47,610)**	28,500
Increase/(Decrease) Deposits from banks and non-bank financial institutions	**63,624**	(113,425)
Decrease in placements from banks and non-bank financial institutions	**(55,313)**	(11,069)
(Decrease)/Increase in financial liabilities at fair value through profit or loss	**(958)**	1,912
Decrease in financial assets sold under repurchase agreements	**(77,312)**	(64,194)
Increase in deposits from customers	**384,805**	177,301
Increase in other operating assets	**(48,279)**	(14,158)
(Decrease)/Increase in other operating liabilities	**(18,635)**	4,307
Subtotal	**(60,833)**	(52,291)
Net cash flows from operating activities	**8,547**	12,400

For the six months ended 30 June 2019
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2019 Unaudited	2018 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**998,944**	329,914
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**489**	65
Cash received from equity investment income		**180**	26
Payments on acquisition of investments		**(1,188,443)**	(461,372)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(1,193)**	(699)
Net cash paid for acquisition of associates and joint ventures	21	**—**	(949)
Net cash flows used in investing activities		**(190,023)**	(133,015)
Financing activities			
Cash received from debt securities issued		**264,925**	567,403
Cash paid for redemption of debt securities issued		**(210,246)**	(452,980)
Interest paid on debt securities issued		**(10,772)**	(11,532)
Dividends paid		**(277)**	(11,912)
Principle and interest paid for leasing liabilities		**(1,112)**	—
Net cash flows from financing activities		**42,518**	90,979
Net decrease in cash and cash equivalents		**(138,958)**	(29,636)
Cash and cash equivalents as at 1 January		**376,009**	337,915
Effect of exchange rate changes on cash and cash equivalents		**(18)**	1,552
Cash and cash equivalents as at 30 June	47	**237,033**	309,831
Cash flows from operating activities include:			
Interest received		**125,751**	120,580
Interest paid		**(58,685)**	(51,181)

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

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing, China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

The Bank operates under financial services certificate No. B0006H111000001 issued by the China Banking Insurance Regulatory Commission (the "CBIRC", originally named China Banking Regulatory Commission), and unified social credit code No. 91110000101690725E issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, finance leasing and other non-banking financial services.

As at 30 June 2019, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities, and overseas. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and other overseas countries and regions.

For the purpose of these consolidated interim financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated interim financial statements were approved by the Board of Directors of the Bank on 27 August 2019.

2 Basis of preparation

The consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Principle accounting policies

The consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018, which have been audited.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(a) Standards and amendments effective in 2019 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	IASB Annual Improvements to IFRSs (2015 – 2017 Cycle)
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Employee Benefits' Regarding Plan Amendment, Curtailment or Settlement

The new accounting policies of IFRS 16 – Leases and their impacts are disclosed in Note 3(c) Changes in accounting policies. The adoption of the other new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and revised IFRSs and IFRS interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective.

		Effective for the year beginning on/after
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	The effective date was originally set for financial years beginning on/after 1 January 2019, but has been postponed or cancelled. Early adoption of the amendments is allowed.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

On 12 October 2017, the IASB issued amendments to IAS 28 – Investments in Associates and Joint Ventures to clarify that company's account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

3 Principle accounting policies (Continued)

(c) Changes in accounting policies

The Group adopted IFRS 16 Leases (hereinafter referred to as the "new leasing standard"), with the first implementation date on 1 January 2019. This represents a change in accounting policies and adjustments to the relevant amounts have been recognised in the financial statements.

According to the transition requirements of the new leasing standard, the Group did not restate the information for the comparative period. Therefore, the reclassifications and adjustments made due to the adoption of the new leasing standard are recognised in the balance sheet as at 1 January 2019, and no restatement has been made to the comparative financial statements as at 31 December 2018.

As described above, the Group only makes relevant disclosures on the current period in Note 25.

The implementation of the new leasing standard also leads to changes in the lease accounting policies of the Group as a lessee, and the specific accounting policies applicable to lessee in the current period under the new leasing standard are as follows.

Lease

A lease is a contract under which the lessor conveys to the lessee the right to use an asset for a period of time in exchange for consideration.

The Group as the lessee

The Group recognises the right-of-use assets on the commencement date of the lease term and recognises the lease liability at the present value of the lease payments that have not been paid yet. Each lease payment is allocated between the liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease payments include fixed payments and payments to be made in the event that it is reasonably determined that the purchase option will be exercised or the lease option is terminated. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used.

The Group's right-of-use assets include leased buildings, land use right, equipments, vehicles and others. The right-of-use assets are initially measured at cost, which includes the initial measurement of the lease liability, the lease payments paid on or before the lease commencement date, and the initial direct costs, less any lease incentives received. If the Group can reasonably expect to obtain the ownership of the leased asset at the expiration of the lease term, it is depreciated over the remaining useful life of the leased asset on a straight-line basis; if it is not possible to reasonably determine whether the ownership of the leased asset can be obtained at the expiration of the lease term, it is depreciated over the shorter period of the lease term and the remaining useful life of the leased assets on a straight-line basis. When the recoverable amount is lower than the carrying amount of an right-of-use asset, the Group writes down the carrying amount to the recoverable amount.

For short-term leases with a lease term of no more than 12 months and leases of assets with low values when new, the Group chooses not to recognise the right-of-use assets and lease liabilities. Instead, it recognises in each period the relevant rental payments in profit or loss or relevant asset costs on a straight-line basis over the lease term.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(c) Changes in accounting policies (Continued)

(i) Adjustments due to adoption of the new leasing standard

According to the relevant provisions of the new leasing standard, the Group adjusted relevant items in the beginning financial statements as at 1 January 2019 to reflect the cumulative impact of the initial adoption of the standards.

The changes in accounting policies and why	The line items affected	Amount affected 1 January 2019
For operating lease contracts that existed before the initial adoption of the new leasing standard, the Group has adopted different methods based on the remaining lease terms:	Right-of-use assets Lease liabilities Other assets	13,311 11,120 (2,191)
If the remaining lease term is longer than one year, the Group recognises a lease liability based on the remaining lease payments and the incremental borrowing rate on 1 January 2019, and measures the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid lease payments.		
If the remaining lease term is less than one year, the Group adopts a simplified method and does not recognise a right-of-use asset or a lease liability, with no significant impact on the financial statements.		
For operating lease contracts that existed prior to the initial adoption of the new leasing standard where the underlying assets are of low values, the Group adopts a simplified approach and does not recognise the right-of-use assets and lease liabilities, with no significant impact on the financial statements.		

As at 1 January 2019, for the purpose of measuring lease liabilities, the Group adopted the same discount rate for lease contracts with similar characteristics. The incremental borrowing rates used were from 4.57% to 4.76%.

As at 1 January 2019, the Group adjusted unsettled minimum operating lease payments disclosed under the original leasing standard to lease liabilities under the new leasing standard. The reconciliation is as follows:

	2019
Operating lease commitments disclosed as at 31 December 2018	12,934
Discounted using the lessee's incremental borrowing rate of at the date of initial application	11,304
Add: finance lease liabilities recognised as at 31 December 2018	—
(Less): short-term leases recognised on a straight-line basis as expense	(183)
(Less): low-value leases recognised on a straight-line basis as expense	(1)
Lease liability recognised as at 1 January 2019	11,120

(Amounts in millions of Renminbi unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2019	2018
Interest income arising from (Note(i)):		
Deposits with central banks	**2,969**	3,583
Deposits with banks and non-bank financial institutions	**637**	1,451
Placements with and loans to banks and non-bank financial institutions	**3,421**	4,414
Financial assets held under resale agreements	**409**	570
Loans and advances to customers		
— corporate loans	**49,229**	46,972
— personal loans	**35,615**	28,827
— discounted bills	**5,133**	3,114
Financial investments		
— at amortised cost	**19,267**	15,246
— at fair value through other comprehensive income	**9,741**	8,153
Others	**6**	49
Subtotal	**126,427**	112,379
Interest expense arising from:		
Borrowings from central banks	**(4,198)**	(4,024)
Deposits from banks and non-bank financial institutions	**(12,414)**	(14,076)
Placements from banks and non-bank financial institutions	**(1,927)**	(1,678)
Financial assets sold under repurchase agreements	**(775)**	(1,133)
Deposits from customers	**(38,335)**	(30,328)
Debt securities issued	**(11,361)**	(11,326)
Lease liabilities	**(252)**	—
Others	**(3)**	(6)
Subtotal	**(69,265)**	(62,571)
Net interest income	**57,162**	49,808

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB169 million for the six months ended 30 June 2019 (Six months ended 30 June 2018: RMB110 million).

(Amounts in millions of Renminbi unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2019	2018
Fee and commission income:		
Bank card fees	**21,087**	15,723
Commission for custodian business and other fiduciary	**3,477**	2,397
Agency fees and commission (Note (i))	**3,402**	2,483
Guarantee and advisory fees	**2,466**	2,757
Settlement and clearance fees	**728**	687
Others	**33**	232
Total	**31,193**	24,279
Fee and commission expense	**(2,901)**	(2,417)
Net fee and commission income	**28,292**	21,862

Note:

(i) Agency fees and commission represent fees earned for sale of bonds, investment funds and insurance products, and provision of entrusted lending activities.

6 Net trading gain

	Six months ended 30 June	
	2019	2018
Debt securities and certificates of interbank deposit	**1,376**	2,307
Foreign currencies	**1,181**	795
Derivatives and related exposures	**125**	347
Total	**2,682**	3,449

7 Net gain from investment securities

	Six months ended 30 June	
	2019	2018
Financial investments		
— at fair value through profit or loss	**3,742**	3,577
— at amortised cost	**—**	28
— at fair value through other comprehensive income	**(1,468)**	(473)
Revaluation loss on transfer out of equity at disposal	**2,336**	(56)
Net gain from bills rediscounting	**232**	96
Net gain from securitisation of financial assets	**(16)**	3,069
Others	**115**	54
Total	**4,941**	6,295

(Amounts in millions of Renminbi unless otherwise stated)

8 Operating expenses

	Six months ended 30 June	
	2019	2018
Staff costs		
— salaries and bonuses	**10,631**	9,422
— welfare expenses	**472**	484
— social insurance	**727**	640
— housing fund	**605**	675
— labour union expenses and employee education expenses	**208**	175
— housing allowance	**4**	185
— other short-term benefits	**21**	18
— post-employment benefits – defined contribution plans	**1,190**	1,140
— post-employment benefits – defined benefit plans	**5**	7
— other long-term benefits	**2**	4
Subtotal	**13,865**	12,750
Property and equipment expenses		
— depreciation of right-of-use assets	**1,593**	—
— depreciation of property, plant and equipment	**845**	929
— rent and property management expenses	**798**	2,278
— amortisation expenses	**521**	470
— maintenance	**213**	149
— system operating expenses	**207**	157
— others	**164**	165
Subtotal	**4,341**	4,148
Tax and surcharges	**899**	872
Other general operating and administrative expenses	**5,568**	4,793
Total	**24,673**	22,563

9 Credit impairment losses

	Six months ended 30 June	
	2019	2018
Credit impairment losses		
Deposits with banks and non-bank financial institutions	**(31)**	15
Placements with and loans to banks and non-bank financial institutions	**(59)**	25
Financial assets held under resale agreements	**18**	24
Interest receivables	**1,126**	1,498
Loans and advances to customers	**33,599**	23,620
Financial investments		
— at amortised cost	**485**	206
— at fair value through other comprehensive income	**537**	105
Other receivables	**(1,304)**	34
Off-balance sheet items	**(415)**	501
Total	**33,956**	26,028

(Amounts in millions of Renminbi unless otherwise stated)

10 Impairment losses on other assets

	Six months ended 30 June	
	2019	2018
Repossessed assets	**234**	133

11 Income tax

(a) Recognised in the consolidated interim statement of profit or loss and other comprehensive income

		Six months ended 30 June	
	Note	**2019**	2018
Current tax			
— Mainland China		**8,892**	4,962
— Hong Kong		**227**	345
— Overseas		**16**	39
Deferred tax	27(c)	**(3,530)**	921
Income tax		**5,605**	6,267

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rates of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2019	2018
Profit before tax	**34,442**	32,442
Income tax calculated at PRC statutory tax rate	**8,611**	8,110
Effect of different tax rates in other regions	**(141)**	(171)
Tax effect of non-deductible expenses	**120**	176
Tax effect of non-taxable income		
— interest income arising from PRC government bonds and interest income arising from local government bonds	**(2,265)**	(1,427)
— the dividends of funds	**(608)**	(365)
— others	**(112)**	(56)
Income tax	**5,605**	6,267

(Amounts in millions of Renminbi unless otherwise stated)

12 Other comprehensive income, net of tax

	Six months ended 30 June	
	2019	2018
Items that will not be reclassified subsequently to profit or loss		
Changes on the measurement of defined benefit plans, net of tax		
— net changes recognised during the year before tax	**(1)**	(1)
— income tax	**—**	—
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
— net changes in fair value recognised during the year before tax	**55**	13
— income tax	**(11)**	(3)
Subtotal	**43**	9
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
— net changes during the year	**1**	—
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note(i))		
— net changes during the year before tax	**2,139**	4,858
— net amount transferred to profit or loss	**(2,336)**	(46)
— Income tax	**89**	1,255
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note(ii))		
— net changes during the year	**700**	147
— Income tax	**(176)**	(31)
Exchange differences on translation	**(203)**	522
Subtotal	**214**	4,195
Other comprehensive income, net of tax	**257**	4,204

Note:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(a)).

(ii) Credit impairment allowance include financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(a)).

13 Earnings per share

Earnings per share information for the six months ended 30 June 2019 and 2018 is computed by dividing the profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the period.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 40. No cash dividend on preference shares was declared during the six months ended 30 June 2019.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

(Amounts in millions of Renminbi unless otherwise stated)

13 Earnings per share (Continued)

The diluted earnings per share is calculated on the assumption that the RMB40 billion A-share convertible corporate bonds publicly issued by the Bank on 4 March 2019 are deemed to have all been converted to ordinary shares upon issuance, and by dividing, after adjustments for the interest expenses of the convertible corporate bonds for the period, the net profit of the year attributable to ordinary shareholders of the Bank, by the adjusted weighted average number of ordinary shares outstanding during the year.

	Six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Bank	**28,307**	25,721
Less: profit for the period attributable to preference shareholders of the Bank	**—**	—
Profit for the period attributable to ordinary shareholders of the Bank	**28,307**	25,721
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic earnings per share (in RMB)	**0.58**	0.53
Diluted earnings per share (in RMB)	**0.55**	0.53

14 Cash and balances with central banks

	Notes	**30 June 2019**	31 December 2018
Cash		**6,158**	6,188
Balances with central banks			
— statutory deposit reserve funds	(i)	**354,024**	399,797
— surplus deposit reserve funds	(ii)	**48,656**	128,424
— fiscal deposits	(iii)	**2,331**	2,816
— foreign exchange reserve	(iv)	**2,651**	1,288
Accrued interest		**146**	195
Total		**413,966**	538,708

Notes:

(i) The Group places statutory deposit reserve funds with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserve funds are not available for use in the Group's daily business.

As at 30 June 2019, the statutory deposit reserve funds placed with the PBOC was calculated at 10% (31 December 2018: 12%) of eligible Renminbi deposits for domestic branches of the Bank and at 10% (31 December 2018: 12%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% (31 December 2018: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

The statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of the Group, was at 8% (as at 31 December 2018: 9%).

The amounts of statutory deposit reserves funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the PBOC.

(ii) The surplus deposit reserve funds are maintained with the PBOC for the purposes of clearing.

(iii) Fiscal deposits placed with the PBOC are not available for use in the Group's daily operations, and are non-interest bearing.

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice.

(Amounts in millions of Renminbi unless otherwise stated)

15 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2019**	31 December 2018
In Mainland China			
— banks		**13,636**	44,318
— non-bank financial institutions		**14,233**	21,028
Subtotal		**27,869**	65,346
Outside Mainland China			
— banks		**20,830**	31,984
— non-bank financial institutions		**1,232**	1,783
Subtotal		**22,062**	33,767
Accrued interest		**26**	114
Gross balance		**49,957**	99,227
Less: Allowances for impairment losses	29	**(43)**	(74)
Net balance		**49,914**	99,153

(b) Analysed by remaining maturity

	Note	**30 June 2019**	31 December 2018
Demand deposits (Note (i))		**44,476**	65,023
Time deposits with remaining maturity			
— within one month		**3,377**	22,256
— between one month and one year		**2,078**	11,834
Subtotal		**5,455**	34,090
Accrued interest		**26**	114
Gross balance		**49,957**	99,227
Less: Allowances for impairment losses	29	**(43)**	(74)
Net balance		**49,914**	99,153

Note:

(i) As at 30 June 2019, the carrying amount of pledged deposits with banks and other financial institutions was RMB806 million (31 December 2018: RMB1,343 million). These deposits were mainly maintenance margin with a regulatory body.

(Amounts in millions of Renminbi unless otherwise stated)

16 Placements with and loans to banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2019**	31 December 2018
In Mainland China			
— banks		**19,210**	13,680
— non-bank financial institutions		**105,900**	113,351
Subtotal		**125,110**	127,031
Outside Mainland China			
— banks		**38,676**	48,421
— non-bank financial institutions		**9,370**	—
Subtotal		**48,046**	48,421
Accrued interest		**836**	873
Gross balance		**173,992**	176,325
Less: Allowances for impairment losses	29	**(105)**	(165)
Net balance		**173,887**	176,160

(b) Analysed by remaining maturity

	Note	**30 June 2019**	31 December 2018
Within one month		**97,727**	112,284
Between one month and one year		**72,429**	63,168
Over one year		**3,000**	—
Accrued interest		**836**	873
Gross balance		**173,992**	176,325
Less: Allowances for impairment losses	29	**(105)**	(165)
Net balance		**173,887**	176,160

17 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals, interest rate and credit derivatives related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments (Note 17 (c)), are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated interim statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

(Amounts in millions of Renminbi unless otherwise stated)

17 Derivatives (Continued)

	30 June 2019			31 December 2018		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments (Note (c))						
— interest rate derivatives	**3,657**	**25**	**45**	8,385	96	8
Non-Hedging instruments						
— interest rate derivatives	**2,578,860**	**6,084**	**6,007**	1,837,247	6,010	5,966
— currency derivatives	**2,208,832**	**11,923**	**11,458**	2,595,674	24,826	24,501
— precious metal derivatives	**46,872**	**590**	**1,280**	58,644	1,048	1,170
— credit derivatives	**700**	**4**	**1**	820	11	1
Total	**4,838,921**	**18,626**	**18,791**	4,500,770	31,991	31,646

(a) Nominal amount analysed by remaining maturity

	30 June 2019	31 December 2018
Within three months	**2,372,216**	1,921,744
Between three months and one year	**1,816,282**	2,033,875
Between one year and five years	**649,863**	542,276
Over five years	**560**	2,875
Total	**4,838,921**	4,500,770

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the CBIRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 30 June 2019, the total amount of credit risk weighted amount for counterparty was RMB20,625 million (31 December 2018: RMB20,158 million).

(c) Fair value hedge

A subsidiary of the Group utilises fair value hedge to eliminate the effect of fair value changes of financial assets and financial liabilities caused by market interest rate fluctuations. Interest rate swap contracts are used for hedging interest risks arising from debt securities at fair value through other comprehensive income, certificates of deposit and subordinated bonds issued.

(Amounts in millions of Renminbi unless otherwise stated)

18 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**30 June 2019**	31 December 2018
In Mainland China			
— banks		**37,631**	3,402
— non-bank financial institutions		**7,099**	6,428
Subtotal		**44,730**	9,830
Outside Mainland China			
— banks		**—**	958
Accrued interest		**3**	6
Gross balance		**44,733**	10,794
Less: Allowance for impairment losses	29	**(23)**	(4)
Net balance		**44,710**	10,790

(b) Analysed by types of collateral

As at 30 June 2019 and 31 December 2018, the collateral type of financial asset under resale agreements of the Group are all debt instruments. The collateral received by the Group in resale transactions are disclosed in Note 49 Collateral.

(c) Analysed by remaining maturity

As at 30 June 2019 and 31 December 2018, the financial assets held under resale agreements of the Group all mature within one month.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers

(a) Analysed by nature

	Notes	**30 June 2019**	31 December 2018
Loans and advances to customers at amortised cost			
Corporate loans and advances			
— loans		**1,892,568**	1,833,171
— discounted bills		**2,135**	146,414
— finance lease receivables		**47,178**	47,817
Subtotal		**1,941,881**	2,027,402
Personal loans and advances			
— residential mortgages		**733,984**	643,407
— credit cards		**500,204**	442,493
— personal consumption		**208,104**	203,853
— business loans		**205,376**	194,737
Subtotal		**1,647,668**	1,484,490
Accrued interest		**8,920**	8,338
Gross balance		**3,598,469**	3,520,230
Less: Allowances impairment losses	29		
— principle		**(108,949)**	(101,022)
— interest		**(84)**	(78)
Loans and advances to customers at amortised cost, net		**3,489,436**	3,419,130
Loans and advances to customers at fair value through other comprehensive income			
— loans		**150**	137
— discounted bills		**246,177**	96,383
Carrying amount of loans and advances at fair value through other comprehensive income		**246,327**	96,520
— fair value changes through other comprehensive income		**91**	(21)
Total		**3,735,763**	3,515,650
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income		**(328)**	(132)

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses

	30 June 2019			
	Stage one	**Stage two**	**Stage three (Note (i))**	**Total**
Gross loans and advances to customers at amortised costs	**3,422,955**	**95,571**	**71,023**	**3,589,549**
Accrued interest	**8,016**	**874**	**30**	**8,920**
Less: Allowance for impairment losses	**(34,965)**	**(23,615)**	**(50,453)**	**(109,033)**
Carrying amount of loans and advances to customers measured at Amortised cost	**3,396,006**	**72,830**	**20,600**	**3,489,436**
Carrying amount of loans and advances to customers at fair value through other comprehensive income	**246,260**	**38**	**29**	**246,327**
Total	**3,642,266**	**72,868**	**20,629**	**3,735,763**
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	**(311)**	**(1)**	**(16)**	**(328)**

	31 December 2018			
	Stage one	Stage two	Stage three (Note (i))	Total
Gross loans and advances to customers at amortised costs	3,353,529	92,949	65,414	3,511,892
Accrued interest	7,592	727	19	8,338
Less: Allowance for impairment losses	(31,940)	(22,788)	(46,372)	(101,100)
Carrying amount of loans and advances to customers measured at Amortised cost	3,329,181	70,888	19,061	3,419,130
Carrying amount of loans and advances to customers at fair value through other comprehensive income	96,520	—	—	96,520
Total	3,425,701	70,888	19,061	3,515,650
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	(132)	—	—	(132)

Notes:

a) Stage 3 loans are loans and advances to customers that have incurred credit impairment.

	30 June 2019	31 December 2018
Secured portion	**37,827**	37,648
Unsecured portion	**33,225**	27,766
Gross balance	**71,052**	65,414
Allowance for impairment losses	**(50,469)**	(46,372)

As at 30 June 2019, the maximum exposure covered by pledge and collateral held of secured portion is RMB37,783 million (as at December 31 2018: RMB35,221 million).

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(c) Overdue loans analysed by overdue period

	30 June 2019 Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	**13,500**	**10,136**	**1,420**	**316**	**25,372**
Guaranteed loans	**8,242**	**8,838**	**5,435**	**545**	**23,060**
Loans with pledged assets					
— loans secured by collateral	**15,875**	**14,838**	**10,742**	**2,424**	**43,879**
— pledged loans	**4,558**	**2,057**	**1,786**	**194**	**8,595**
Total	**42,175**	**35,869**	**19,383**	**3,479**	**100,906**

	31 December 2018 Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	9,221	9,602	1,977	493	21,293
Guaranteed loans	9,284	8,292	6,639	627	24,842
Loans with pledged assets					
— loans secured by collateral	16,428	13,339	12,008	2,367	44,142
— pledged loans	2,457	1,959	1,752	114	6,282
Total	37,390	33,192	22,376	3,601	96,559

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(d) Finance lease receivables

Finance lease receivables transactions are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. These contracts usually run for an initial period from 1 to 25 years. The total minimum finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

	30 June 2019 Present value of minimum finance leases receivables	30 June 2019 Minimum finance leases receivables	31 December 2018 Present value of minimum finance leases receivables	31 December 2018 Minimum finance leases receivables
Within one year (including one year)	**9,745**	**13,257**	11,826	14,182
One year to two years (including two years)	**10,613**	**12,319**	9,866	11,626
Two years to three years (including three years)	**9,037**	**9,139**	7,863	9,140
Over three years	**17,783**	**20,031**	18,262	20,606
Gross balance	**47,178**	**54,746**	47,817	55,554
Less: Allowance for impairment losses				
— stage one	**(959)**		(1,001)	
— stage two	**(533)**		(429)	
— stage three	**(100)**		(100)	
Net balance	**45,586**		46,287	

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments

(a) Analysed by types

	Note	30 June 2019	31 December 2018
Financial assets at fair value through profit or loss			
Investment funds		**222,594**	189,176
Debt securities		**60,485**	71,920
— designated at fair value through profit or loss		**—**	52
Trust investment plans (Note(i))		**17**	26,486
Certificates of deposit		**20,211**	16,713
Equity instruments		**5,003**	4,461
Wealth management products		**123**	116
Net balance		**308,433**	308,872
Financial assets at amortised cost			
Debt securities		**408,053**	381,688
Investment management products managed by securities companies (Note(i))		**343,775**	228,502
Trust investment plans (Note(i))		**158,129**	151,582
Certificates of deposit		**7,529**	11,406
Subtotal		**917,486**	773,178
Accrued interest		**11,076**	8,430
Less: Allowance for impairment losses	29	**(3,669)**	(3,370)
— principles		**(3,652)**	(3,355)
— accrued interests		**(17)**	(15)
Net balance		**924,893**	778,238
Financial assets at fair value through other comprehensive income (Note(ii))			
Debt securities		**539,806**	491,015
Certificates of deposit		**6,405**	12,644
Subtotal		**546,211**	503,659
Accrued interest		**6,703**	6,687
Net balance		**552,914**	510,346
Allowances for impairment losses on investments in financial assets at fair value through other comprehensive income	29	**(1,544)**	(1,039)
Financial assets designated at fair value through other comprehensive income (Note(ii))		**3,478**	2,707
Total		**1,789,718**	1,600,163

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments (Continued)

(a) Analysed by types (Continued)

Notes:

(i) As of 30 June 2019, RMB92,308 million (31 December 2018: RMB99,095 million) of Trust investment plans and Investment management products managed by securities companies listed above were managed by the subsidiaries and related companies of CITIC Corporation Limited, the Bank's immediate parent company.

The underlying assets of Trust investment plans and Investment management products managed by securities companies primarily include credit assets, interbank assets and rediscounted bills (Note 56 a).

(ii) Financial investments at fair value through other comprehensive income:

		30 June 2019		
	Note	Equity instruments	Debt security instruments	Total
Costs/Amortised cost		**3,467**	**541,109**	**544,576**
Fair value change on accumulated into other comprehensive income		**11**	**5,102**	**5,113**
Fair value		**3,478**	**546,211**	**549,689**
Allowance for impairment losses	29		**(1,544)**	**(1,544)**

(b) Analysed by location of counterparties

	Note	30 June 2019	31 December 2018
In Mainland China			
— governments		**535,768**	475,246
— policy banks		**77,056**	122,411
— banks and non-bank financial institutions		**449,865**	400,793
— corporates		**120,635**	126,144
Subtotal		**1,183,324**	1,124,594
Outside Mainland China			
— governments		**17,350**	16,121
— banks and non-bank financial institutions		**549,022**	433,910
— public entities		**640**	2,084
— corporates		**25,272**	11,707
Subtotal		**592,284**	463,822
Accrued interest		**17,779**	15,117
Total		**1,793,387**	1,603,533
Less: Allowance for impairment losses	29	**(3,669)**	(3,370)
Net balance		**1,789,718**	1,600,163
Listed in Hong Kong		**45,928**	39,541
Listed outside Hong Kong		**1,180,058**	1,104,876
Unlisted		**563,732**	455,746
Total		**1,789,718**	1,600,163

Bonds traded in China's inter-bank bond market are listed outside Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures

	Note	30 June 2019	31 December 2018
Investments in joint ventures	(a)	**2,859**	2,759
Investments in associates	(b)	**813**	1,122
Total		**3,672**	3,881

(a) Investment in joint ventures

The details of the joint ventures as at 30 June 2019 were as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares	Principal activities	Nominal value of issued shares
CITIC aiBank Corporation Limited ("Baixin") (Note(i))	Corporation	Mainland China	70.0%	Financial services	RMB2.5 billion
JSC Altyn Bank (Note(ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT 7.05 billion

Notes:

(i) Baixin opened on 18 November 2017. According to the Articles of Association, the Bank and Fujian BoRui Network Technology Co.,Ltd. ("Fujian BoRui") shall jointly approve main critical events before further development.

(ii) On 24 April 2018, the Bank completed its acquisition of JSC Altyn Bank shares. According to the Articles of Association of JSC Altyn Bank, decisions regarding all major activities of JSC Altyn Bank shall be subject to the joint approval of the Bank and the other shareholder, the JSC Halyk Bank of Kazakhstan.

Financial statements of the joint ventures are as follow:

	As at or for the period ended 30 June 2019				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
CITIC Baixin	**44,186**	**40,901**	**3,285**	**1,359**	**55**
JSC Altyn Bank	**7,596**	**6,705**	**891**	**203**	**123**

	As at or for the year ended 2018				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net gain/(loss)
CITIC Baixin	35,924	32,701	3,223	1,295	(484)
JSC Altyn Bank	7,928	7,191	737	349	195

Movement of the Group's interests in the joint ventures:

	Six months ended 30 June 2019	Year ended 31 December 2018
Initial investment cost	**3,229**	3,229
As at 1 January	**2,759**	1,196
Additions	**—**	1,829
Share of net loss of the joint ventures for the period	**100**	(274)
Exchange difference	**—**	8
As at 30 June/31 December	**2,859**	2,759

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures (Continued)

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 30 June 2019 was as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	46%	Investment holding and assets management	HKD2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB500 million

Financial statements of the associates are as follow:

	As at or for the period ended 30 June 2019				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net loss**
CIAM	**1,679**	**200**	**1,479**	**40**	**(4)**
BFAE	**470**	**30**	**440**	**2,447**	**(12)**

	As at or for the year ended 2018				
Name of Enterprise	Total assets	Total liabilities	Total net asset	Operating Income	Net gain/(loss)
CIAM	1,631	149	1,482	(718)	(768)
ZhongAn Financial Services Limited	884	—	884	5	5
BFAE	499	47	452	3	(30)

Movement of the Group's interests in associates:

	Six months ended 30 June 2019	Year ended 31 December 2018
Initial investment cost	**1,180**	1,489
As at 1 January	**1,122**	1,145
Additions	**(309)**	306
Share of net loss of associates for the period	**1**	(368)
Share of other comprehensive income of associates for the period	**—**	(10)
Exchange difference	**(1)**	49
As at 30 June/31 December	**813**	1,122

(Amounts in millions of Renminbi unless otherwise stated)

22 Investments in subsidiaries

	Notes	**30 June 2019**	31 December 2018
Investments in subsidiaries			
— CIFH	(i)	**16,570**	16,570
— CNCB (Hong Kong) Investment Limited ("CNCB Investment")	(ii)	**1,577**	1,577
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	**102**	102
— CFLL	(iv)	**4,000**	4,000
Total		**22,249**	22,249

Major subsidiaries of the Group as at 30 June 2019 are as follows:

Name of entity	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (Note (i))	Hong Kong	HKD7,503 million	Commercial banking and other financial services	100%	—	100%
CNCB Investment (Note (ii))	Hong Kong	HKD1,889 million	Investment and lending services	99.05%	0.71%	99.76%
Lin'an Rural Bank (Note (iii))	Mainland China	RMB200 million	Commercial banking	51%	—	51%
CFLL (Note (iv))	Mainland China	RMB4,000 million	Financial lease operations	100%	—	100%

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited ("CBI").

(ii) CNCB Investment was founded in Hong Kong in 1984. Holding a money lending licence issued by the Hong Kong Company Registry, CNCB Investment's business scope includes capital market investment, lending and other related services. The Bank holds 99.05% shareholding in CNCB Investment, and CIFH holds the remaining 0.71% shareholding in CNCB Investment. The Bank effectively held 99.76% shareholding in CNCB Investment.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking related businesses. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB4 billion. Its principal business activities are financial leasing. The Bank holds 100% of its shares and voting rights.

23 Investment properties

	Six months ended 30 June 2019	Year ended 31 December 2018
Fair value as at 1 January	**443**	295
Change in fair value	**6**	35
Transfers in	**—**	93
Disposal	**(9)**	—
Exchange differences	**—**	20
Fair value as at 30 June/31 December	**440**	443

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2019.

All investment properties of the Group were revalued at 30 June 2019 by an independent firm of surveyors on an open market value basis. The fair value is in line with the definition of "IFRS13 – Fair value measurement". The revaluation surplus has been recognised in the profit or loss for the current year.

The investment properties of the Group are categorised into Level 3.

(Amounts in millions of Renminbi unless otherwise stated)

24 Property, plant and equipment

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2019	**21,885**	**1,288**	**10,839**	**34,012**
Additions	**14**	**363**	**417**	**794**
Disposals	**(190)**	—	**(236)**	**(426)**
Exchange differences	—	—	—	—
As at 30 June 2019	**21,709**	**1,651**	**11,020**	**34,380**
Accumulated depreciation:				
As at 1 January 2019	**(4,949)**	—	**(7,678)**	**(12,627)**
Depreciation charges	**(336)**	—	**(509)**	**(845)**
Disposals	**88**	—	**214**	**302**
Exchange differences	—	—	—	—
As at 30 June 2019	**(5,197)**	—	**(7,973)**	**(13,170)**
Net carrying value:				
As at 1 January 2019	**16,936**	**1,288**	**3,161**	**21,385**
As at 30 June 2019 (Note (i))	**16,512**	**1,651**	**3,047**	**21,210**

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2018	21,313	1,078	11,018	33,409
Additions	1,157	210	1,466	2,833
Disposals	(514)	—	(663)	(1,177)
Transfer out	(102)	—	(1,041)	(1,143)
Exchange differences	31	—	59	90
As at 31 December 2018	21,885	1,288	10,839	34,012
Accumulated depreciation:				
As at 1 January 2018	(4,497)	—	(7,582)	(12,079)
Depreciation charges	(674)	—	(1,156)	(1,830)
Disposals	229	—	610	839
Transfer out	9	—	492	501
Exchange differences	(16)	—	(42)	(58)
As at 31 December 2018	(4,949)	—	(7,678)	(12,627)
Net carrying value:				
As at 1 January 2018	16,816	1,078	3,436	21,330
As at 31 December 2018 (Note (i))	16,936	1,288	3,161	21,385

Note:

(i) As at 30 June 2019, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB962 million (as at 31 December 2018: RMB1,078 million). The Group believes the incomplete registration procedure does not affect the rights of the Group as the legal successor to these buildings.

(Amounts in millions of Renminbi unless otherwise stated)

25 Right-of-use assets

	Buildings	Land use right	Equipments	Vehicles and others	Total
Cost or deemed cost:					
As at 31 December 2018	—	—	—	—	—
Change in accounting policy:	12,145	1,235	125	48	13,553
As at 1 January 2019	12,145	1,235	125	48	13,553
Additions	795	—	3	1	799
Reductions	(36)	(15)	(2)	—	(53)
Exchange differences	—	—	—	—	—
As at 30 June 2019	12,904	1,220	126	49	14,299
Accumulated depreciation:					
As at 31 December 2018	—	—	—	—	—
Change in accounting policy:	—	(242)	—	—	(242)
As at 1 January 2019	—	(242)	—	—	(242)
Accrual	(1,553)	(15)	(20)	(5)	(1,593)
Reductions	1	4	—	—	5
Exchange differences	—	—	—	—	—
As at 30 June 2019	(1,552)	(253)	(20)	(5)	(1,830)
Net carrying value:					
As at 1 January 2019	12,145	993	125	48	13,311
As at 30 June 2019	11,352	967	106	44	12,469

(i) As at 30 June 2019, the balance of the Group's lease liabilities amounted to RMB10,883 million, including RMB3,305 million of lease liabilities that will mature within a year.

(ii) As at 30 June 2019, lease payments relating to lease contracts signed but yet to be executed amounted to RMB113 million.

(iii) For the six months ended 30 June 2019, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values when new amounted to RMB407 million.

26 Goodwill

	Six months ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**896**	849
Additions	**—**	—
Exchange differences	**—**	47
As at 30 June/31 December	**896**	896

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 30 June 2019 (31 December 2018: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

27 Deferred tax assets/(liabilities)

	30 June 2019	31 December 2018
Deferred tax assets	**26,745**	23,174
Deferred tax liabilities	**(13)**	(16)
Net balance	**26,732**	23,158

(a) Analysed by nature and jurisdiction

	30 June 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**108,077**	**26,858**	95,710	23,729
— fair value adjustments	**(10,650)**	**(2,652)**	(9,944)	(2,526)
— employee retirement benefits and salaries payable	**9,610**	**2,403**	7,430	1,857
— others	**347**	**136**	238	114
Subtotal	**107,384**	**26,745**	93,434	23,174
Deferred tax liabilities				
— fair value adjustments	**(55)**	**(9)**	(86)	(16)
— others	**(23)**	**(4)**	—	—
Total	**107,306**	**26,732**	93,348	23,158

(b) Offsetting of deferred tax assets and deferred tax liabilities

As at 30 June 2019, the deferred tax assets/liabilities offset by the Group were RMB2,636 million (31 December 2018: RMB2,720 million).

(c) Movement of deferred tax

	Allowance for impairment losses	Fair value adjustments	Employee retirement benefits and accrued staff cost	Others	Total deferred tax
As at 31 December 2018	**23,729**	**(2,542)**	**1,857**	**114**	**23,158**
Recognised in profit or loss	**3,129**	**(162)**	**545**	**18**	**3,530**
Recognised in other comprehensive income	**—**	**(43)**	**1**	**—**	**44**
Exchange differences	**—**	**—**	**—**	**—**	**—**
As at 30 June 2019	**26,858**	**(2,661)**	**2,403**	**132**	**26,732**
As at 31 December 2017	17,060	3,070	1,562	125	21,817
Change in accounting policy	3,020	(2,588)	—	(10)	422
Recognised in profit or loss	3,633	404	298	2	4,337
Recognised in other comprehensive income	—	(3,430)	(3)	—	(3,433)
Exchange differences	16	2	—	(3)	15
As at 31 December 2018	23,729	(2,542)	1,857	114	23,158

(Amounts in millions of Renminbi unless otherwise stated)

28 Other assets

	Notes	**30 June 2019**	31 December 2018
Advanced payments and settlement accounts		**36,595**	2,356
Assets transfer receivables		**18,637**	—
Prepayments for properties and equipment	(i)	**11,222**	10,833
Fee and commission receivables		**5,909**	3,534
Interest receivables		**3,089**	2,205
Repossessed assets	(ii)	**2,312**	2,203
Precious metal leasing		**2,115**	1,632
Prepayments for assets acquired for finance leases		**1,965**	1,679
Leasehold improvements		**701**	871
Prepaid rent		**88**	985
Land use rights		**—**	993
Others	(iii)	**12,060**	10,162
Total		**94,693**	37,453

Notes:

(i) Prepayments for properties and equipment

Prepayments for properties and equipment are mainly payments the Group made for office premises being constructed.

(ii) Repossessed assets

	30 June 2019	31 December 2018
Premises	**2,416**	2,429
Others	**656**	499
Gross balance	**3,072**	2,928
Less: Allowance for impairment losses	**(760)**	(725)
Net balance	**2,312**	2,203

As at 30 June 2019, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use. (as at 31 December 2018: Nil)

(iii) Others include continuing involvement in assets, provisional legal costs for lawyers, other long-term deferred expenses, other receivables, etc.

(Amounts in millions of Renminbi unless otherwise stated)

29 Movements of allowance for impairment losses

		Six months ended 30 June 2019				
	Notes	As at 1 January	(Reversal)/charge for the period	Write-offs /transfer out	Others Note (i)	As at 30 June
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	74	(31)	—	—	43
Placements with and loans to banks and non-bank financial institutions	16	165	(59)	—	(1)	105
Financial assets held under resale agreements	18	4	18	—	1	23
Loans and advances to customers	19	101,154	33,599	(27,658)	2,182	109,277
Financial investments	20					
—at amortised cost		3,355	485	(186)	(2)	3,652
—at fair value through other comprehensive income		1,039	537	—	(32)	1,544
Other assets – financial assets Note (ii)		12,072	(178)	(6,555)	464	5,803
Off balance sheet credit assets	37	4,543	(415)	—	—	4,128
Total		122,406	33,956	(34,399)	2,612	124,575
Allowance for impairment losses on other assets						
Other assets – repossessed assets		725	234	(194)	(5)	760
Total		725	234	(194)	(5)	760

		Year ended 31 December 2018				
	Notes	As at 1 January	Charge/(reversal) for the year	Write-offs /transfer out	Others Note (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	60	11	—	3	74
Placements with and loans to banks and non-bank financial institutions	16	165	(1)	—	1	165
Financial assets held under resale agreements	18	37	(33)	—	—	4
Interest receivables		4,970	3,034	(3,606)	(4,398)	—
Loans and advances to customers	19	97,905	47,753	(46,938)	2,434	101,154
Financial investments	20					
at amortised cost		3,044	999	(689)	1	3,355
at fair value through other comprehensive income		950	75	—	14	1,039
Other assets – financial assets		2,334	6,098	(1,182)	4,822	12,072
Off balance sheet credit assets	37	4,557	(50)	—	36	4,543
Subtotal		114,022	57,886	(52,415)	2,913	122,406
Allowance for impairment losses on other assets						
Other assets – repossessed assets		400	347	(7)	(15)	725
Total		400	347	(7)	(15)	725

Notes:

(i) Others include unwinding of interest on impaired financial assets, recovery of loans written off, and effect of exchange differences during the period.

(ii) The impairment losses of accrued interest of the financial instruments in this table and its changes are included in "Other assets-financial assets".

(Amounts in millions of Renminbi unless otherwise stated)

30 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2019	31 December 2018
In Mainland China		
— banks	**247,950**	208,427
— non-bank financial institutions	**592,844**	565,387
Subtotal	**840,794**	773,814
Outside Mainland China		
— banks	**887**	4,242
— non-bank financial institutions	**58**	57
Subtotal	**945**	4,299
Accrued interest	**4,296**	4,151
Total	**846,035**	782,264

31 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2019	31 December 2018
In Mainland China		
— bank	**46,527**	58,681
— non-bank financial institutions	**2,274**	47,239
Subtotal	**48,801**	105,920
Outside Mainland China		
— bank	**10,624**	9,197
Accrued interest	**292**	241
Total	**59,717**	115,358

(Amounts in millions of Renminbi unless otherwise stated)

32 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	30 June 2019	31 December 2018
In Mainland China		
— PBOC	**30,514**	93,151
— banks	**12,453**	25,911
— non-bank financial institutions	**—**	1,000
Subtotal	**42,967**	120,062
Outside Mainland China		
— banks	**—**	218
Subtotal	**—**	218
Accrued interest	**1**	35
Total	**42,968**	120,315

(b) Analysed by type of collateral

	30 June 2019	31 December 2018
Discounted bills	**33,040**	33,809
Debt securities	**9,927**	86,471
Accrued interest	**1**	35
Total	**42,968**	120,315

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2019, no legal title of the Group and the Bank has been transferred to counterparties. The above information of collateral is included in the Note 49.

33 Deposits from customers

Analysed by nature

	30 June 2019	31 December 2018
Demand deposits		
— corporate customers	**1,647,387**	1,516,861
— personal customers	**286,718**	262,960
Subtotal	**1,934,105**	1,779,821
Time and call deposits		
— corporate customers	**1,507,155**	1,382,230
— personal customers	**552,128**	449,549
Subtotal	**2,059,283**	1,831,779
Outward remittance and remittance payables	**7,991**	4,823
Accrued interest	**33,057**	33,188
Total	**4,034,436**	3,649,611

Guarantee deposits included in above deposits:

	30 June 2019	31 December 2018
Bank acceptances	**168,243**	163,066
Guarantees	**18,822**	21,757
Letters of credit	**8,600**	6,234
Others	**104,664**	109,627
Total	**300,329**	300,684

(Amounts in millions of Renminbi unless otherwise stated)

34 Accrued staff costs

	Notes	Six months ended 30 June 2019 As at 1 January	Additions during the period	Reductions during the period	As at 30 June
Short-term employee benefits	(a)	**10,386**	**11,420**	**(12,777)**	**9,029**
Post-employment benefits — defined contribution plans	(b)	**31**	**1,190**	**(1,147)**	**74**
Post-employment benefits — defined benefit plans	(c)	**35**	**5**	**(4)**	**36**
Other long-term benefits		**97**	**2**	**(13)**	**86**
Total		**10,549**	**12,617**	**(13,941)**	**9,225**

	Notes	Year ended 31 December 2018 As at 1 January	Additions during the year	Reductions during the year	As at 31 December
Short-term employee benefits	(a)	8,635	22,660	(20,909)	10,386
Post-employment benefits — defined contribution plans	(b)	34	2,453	(2,456)	31
Post-employment benefits — defined benefit plans	(c)	44	102	(111)	35
Other long-term benefits		125	6	(34)	97
Total		8,838	25,221	(23,510)	10,549

(a) Short-term employee benefits

	Six months ended 30 June 2019 As at 1 January	Additions during the period	Reductions during the period	As at 30 June
Salaries and bonuses	**9,456**	**9,383**	**(10,795)**	**8,044**
Social insurance	**45**	**727**	**(611)**	**161**
Welfare expenses	**2**	**472**	**(473)**	**1**
Housing fund	**8**	**605**	**(599)**	**14**
Labour union expenses and employee education expenses	**805**	**208**	**(263)**	**750**
Housing allowance	**54**	**4**	**(4)**	**54**
Others	**16**	**21**	**(32)**	**5**
Total	**10,386**	**11,420**	**(12,777)**	**9,029**

	Year ended 31 December 2018 As at 1 January	Additions during the year	Reductions during the year	As at 31 December
Salaries and bonuses	7,553	17,818	(15,915)	9,456
Social insurance	28	1,469	(1,452)	45
Welfare expenses	—	1,400	(1,398)	2
Housing fund	10	1,300	(1,302)	8
Labour union expenses and employee education expenses	955	416	(566)	805
Housing allowance	75	196	(217)	54
Others	14	61	(59)	16
Total	8,635	22,660	(20,909)	10,386

(Amounts in millions of Renminbi unless otherwise stated)

34 Accrued staff costs (Continued)

(b) Post-employment benefits – defined contribution plans

Post-employment benefits defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowance of the employees to the statutory retirement plan under the administration of the government.

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. For six months ended 30 June 2019, the Bank has made annuity contributions at 5% (31 December 2018: 5%) of its employee's gross wages. For six months ended 30 June 2019, the Bank made annuity contribution amounting to RMB287 million (year ended 31 December 2018: RMB757 million).

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss when the contribution fall due.

(c) Post-employment benefits – defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible to join this supplementary retirement benefit plan. The amount that is recognised as at reporting date presents the discounted value of benefit obligation in the future.

The Group's obligations in respect of the supplementary retirement benefit plan as at the reporting date are based on the projected unit credit actuarial cost method and computed by a qualified professional actuary firm (a member of Society of Actuaries in the United States of America).

Save for the disclosed above, the Group has no other material obligation for payment of retirement benefits.

35 Taxes payable

	30 June 2019	31 December 2018
Value-added tax and surcharges	**3,785**	3,342
Income tax	**1,427**	1,570
Others	**5**	8
Total	**5,217**	4,920

36 Debt securities issued

	Notes	**30 June 2019**	31 December 2018
Long-term debt securities issued	(a)	**80,300**	80,296
Subordinated bonds issued:			
— by the Bank	(b)	**118,447**	118,450
— by CBI	(c)	**5,516**	5,520
Certificates of deposit issued	(d)	**2,743**	2,752
Certificates of interbank deposit issued	(e)	**357,587**	341,310
Convertible corporate bonds	(f)	**37,163**	—
Accrued interest		**4,647**	4,155
Total		**606,403**	552,483

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(a) As at 30 June 2019, long-term debt securities issued by the Group:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	30 June 2019 Nominal Value RMB	31 December 2018 Nominal Value RMB
Fixed rate bond	21 May 2015	25 May 2020	3.98%	**7,000**	7,000
Fixed rate bond	17 November 2015	17 November 2020	3.61%	**8,000**	8,000
Fixed rate bond	17 April 2017	17 April 2020	4.20%	**50,000**	50,000
Fixed rate bond	24 May 2017	24 May 2020	4.40%	**2,991**	2,993
Floating rate bond	14 December 2017	14 December 2020	3.24%	**4,807**	4,814
Floating rate bond	14 December 2017	15 December 2022	3.34%	**3,777**	3,783
Fixed rate bond	14 December 2017	14 December 2020	2.88%	**2,060**	2,063
Fixed rate bond	14 December 2017	15 December 2022	3.13%	**1,717**	1,719
Total nominal value				**80,352**	80,372
Less: Unamortised issuance cost				**(52)**	(76)
Carrying value				**80,300**	80,296

(b) The carrying value of the Bank's subordinated bonds issued as at 30 June/31 December:

	Notes	30 June 2019	31 December 2018
Subordinated fixed rate bonds maturing:			
— in August 2024	(i)	**36,975**	36,972
— in May 2025	(ii)	**11,500**	11,500
— in June 2027	(iii)	**19,984**	19,983
— in September 2028	(iv)	**29,993**	29,997
— in October 2028	(v)	**19,995**	19,998
Total		**118,447**	118,450

Notes:

(i) The interest rate on the subordinated fixed rate bonds issued on 26 August 2014 is 6.13% per annum. The Bank has an option to redeem the bonds on 26 August 2019. The bank has early redeemed all of the bonds at face value on 26 August 2019.

(ii) The interest rate on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30% per annum. The Bank has an option to redeem the bonds on 28 May 2020. If they are not redeemed, the interest rate of the bonds will remain at 4.30% per annum for the next five years.

(iii) The interest rate on the subordinated fixed rate bonds issued on 21 June 2012 is 5.15% per annum. The Bank has an option to redeem the bonds on 21 June 2022. If they are not redeemed, the interest rate of the bonds will remain at 5.15% per annum for the next five years.

(iv) The interest rate on the subordinated fixed rate bonds issued on 13 September 2018 is 4.96% per annum. The Bank has an option to redeem the bonds on 13 September 2023. If they are not redeemed, the interest rate of the bonds will remain 4.96% per annum for the next five years.

(v) The interest rate on the subordinated fixed rate bonds issued on 22 October 2018 is 4.8% per annum. The Bank has an option to redeem the bonds on 22 October 2023. If they are not redeemed, the interest rate of the bonds will remain 4.8% per annum for the next five years.

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(c) The carrying value of CBI's subordinated bonds issued as at 30 June/31 December:

	Notes	**30 June 2019**	31 December 2018
Subordinated fixed rate notes maturing:			
— in June 2020	(i)	**2,112**	3,465
— in Feb 2024	(ii)	**3,404**	—
— in May 2024	(iii)	**—**	2,055
Total		**5,516**	5,520

Notes:

(i) CBI issued USD500 million subordinated notes at a coupon rate of 6.875% per annum on 24 June 2010. The notes are listed on the Singapore Exchange. On 28 February 2019, CBI partially redeemed USD196 million of the subordinated notes.

(ii) CBI issued USD500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CBI has an option to redeem these notes on 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

(iii) CBI issued USD300 million subordinated notes at a coupon rate of 6.00% per annum on 7 November 2013. As at 7 May 2019, CBI redeemed all these subordinated notes.

(d) These certificates of deposit were issued by CBI with interest rate ranging from 2.26% to 3.13% per annum.

(e) As at 30 June 2019, the Bank's outstanding large transferable certificates of interbank deposits amounted to RMB357,587 million (31 December 2018: RMB341,310 million), with reference yields ranging from 2.75% to 3.85% per annum (31 December 2018: 2.80% to 4.86%). Their original terms range from three months to one year.

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB40 billion A-share convertible corporate bonds on 4 March 2019. The convertible corporate bonds have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day (11 September 2019) after six months upon the completion date of the offering (8 March 2019), until the maturity date.

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB7.45 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. As the cash dividend was paid on 22 July 2019, the conversion price of the convertible corporate bonds has been adjusted to RMB7.22 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A-shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

These convertible corporate bonds are subject to conditional redemptions. During their conversion period, if the closing prices of the Bank's A-shares are no less than 130% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at their par value plus the current accrued interest, upon approval of the relevant regulatory authorities (if required). In addition, when the total amount of the outstanding convertible corporate bonds is less than RMB30 million, the Bank has the right to redeem all outstanding convertible corporate bonds at their par value plus the current accrued interest.

	Liability	**Equity**	**Total**
Issued nominal value of convertible corporate bonds	36,859	3,141	40,000
Direct issuance expenses	(74)	(6)	(80)
Balance at the issuance date	36,785	3,135	39,920
Amortisation	378	—	378
Ending balance	37,163	3,135	40,298

(Amounts in millions of Renminbi unless otherwise stated)

37 Provisions

	30 June 2019	31 December 2018
Allowance for impairment losses on off balance sheet items	**4,128**	4,543
Litigation provisions	**461**	470
Total	**4,589**	5,013

The movement of off balance sheet allowances for impairment losses is included in the note 29.

Movement of provisions:

	Six months ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**470**	394
Accruals	**—**	220
Payments	**(9)**	(144)
As at 30 June/31 December	**461**	470

38 Other liabilities

	Note	**30 June 2019**	31 December 2018
Dividends payable		**11,255**	—
Settlement and clearing accounts		**10,146**	11,010
Payment and collection accounts		**8,483**	13,829
Deferred emoluments payable	(i)	**8,308**	9,162
Advances and deferred expenses		**6,012**	5,818
Leasing deposits		**1,686**	1,579
Accrued expenses		**389**	741
Precious metal contracts		**—**	1,383
Others		**5,010**	10,539
Total		**51,289**	54,061

Note:

(i) As at 30 June 2019, the deferred emolument payable amounted to RMB8,308 million (31 December 2018: RMB9,162 million). This represents deferred emoluments payable to employees in respect of services provided to the Group. Such amount will be distributed according to plans.

(Amounts in millions of Renminbi unless otherwise stated)

39 Share capital

	30 June 2019 and 31 December 2018 Number of shares (millions)	Nominal Value
Ordinary shares		
Registered, issued and fully paid:		
A-Share	**34,053**	**34,053**
H-Share	**14,882**	**14,882**
Total	**48,935**	**48,935**

	Six months ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**48,935**	48,935
Additions	**—**	—
As at 30 June/31 December	**48,935**	48,935

40 Other equity instruments

Financial instruments in issue	Dividend rate	Issued price (RMB)	Issued number of shares (RMB millions)	Issued nominal value (RMB millions)	Maturity Date	Conversions
Preference shares	3.80% per annum for the first five years after issuance, and re-priced every five years	100	350	35,000	No maturity date	No conversion during the period

35,000 million preference shares of RMB100 each were issued in 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB34,955 million as at 30 June 2019. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 53). Dividends are non-cumulative and where payable are paid annually. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

(Amounts in millions of Renminbi unless otherwise stated)

40 Other equity instruments (Continued)

These preference shares are classified as equity instruments, and presented as equity in the consolidated interim statement of financial position; and are qualified as Additional Tier-One capital Instruments in accordance with the CBIRC requirements.

Interests attributable to equity instruments' holder:

	30 June 2019	31 December 2018
Total equity attribute to equity holders of the parent company	**457,005**	436,661
Equity attribute to ordinary equity holders of the parent company	**418,915**	401,706
Equity attribute to other equity instruments holders of the parent company	**38,090**	34,955
— Profit for the period	**—**	1,330
— Dividend distribution for the period	**—**	1,330
Total equity attribute to non-controlling interests	**14,953**	16,425
Equity attribute to non-controlling interests of ordinary shares	**8,286**	7,933
Equity attribute to non-controlling interests of other equity instruments	**6,667**	8,492

During the six months ended 30 June 2019, no dividends payment was paid to the preference shareholders (As at or for the period ended 31 December 2018: RMB1,330 million)

41 Capital reserves

	30 June 2019	31 December 2018
Share premium	**58,896**	58,896
Other reserves	**81**	81
Total	**58,977**	58,977

	Six months ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**58,977**	58,977
As at 30 June/31 December	**58,977**	58,977

42 Other comprehensive income

Other comprehensive income comprises items that may be reclassified subsequently to profit or loss when specific conditions are met, mainly include fair value changes or available-for-sale financial assets, exchange differences on translating foreign operations, etc; and items that will not be reclassified to profit or loss, such as net changes on the measurement of defined benefit plan (Note 34).

(Amounts in millions of Renminbi unless otherwise stated)

43 Surplus reserve

	Six months ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**34,450**	30,244
Appropriations	**—**	4,206
As at 30 June/31 December	**34,450**	34,450

Under the relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its profit for the year, as determined under regulations issued by the regulatory bodies of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year to the discretionary surplus reserve upon approval by ordinary shareholders at the Annual General Meeting. The Bank makes its appropriation on an annual basis.

Subject to the approval of ordinary shareholders, statutory surplus reserves may be used for replenishing accumulated losses, if any, and may be converted into share capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before the process.

44 General reserve

	Six months ended 30 June 2019	Year ended 31 December 2018
As at 1 January	**74,255**	74,251
Appropriations	**—**	4
As at 30 June/31 December	**74,255**	74,255

Pursuant to relevant Ministry of Finance ("MOF") notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

45 Profit appropriations and retained earnings

(a) The proposal of cash dividend of RMB2.3 per ten ordinary shares related to 2018, amounting to RMB11,255 million in total was approved at the Annual General Meeting held on 24 May 2019 and paid on 22 July 2019.

(b) As at 30 June 2019, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB202 million (31 December 2018: RMB200 million). Such statutory surplus reserves cannot be distributed.

(Amounts in millions of Renminbi unless otherwise stated)

46 Non-controlling interests

As at 30 June 2019, non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. Other equity instrument holders' interest amounted to RMB6,667 million (31 December 2018: RMB8,492 million) representing other equity instruments issued by CBI on 11 October 2016 and 6 November 2018, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Payment Frequency
Capital Security	11 October 2016	USD500 million	11 October 2021	4.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 3.107% per annum	Semi-annually
Capital Security	6 November 2018	USD500 million	6 November 2023	7.10% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 4.151% per annum	Semi-annually

CBI may, at its sole discretion, elect to cancel any payment of coupon, in whole or in part, or redeem Capital Securities in whole on the first call date and any subsequent coupon distribution date, where the holders of these Capital Securities have no right to require CBI to redeem. These Capital Securities listed above are classified as other equity instruments.

A distribution payment of RMB271 million was paid to the holders of the Capital Security mentioned above during the six months ended 30 June 2019 (During the six months ended 30 June 2018: RMB142 million).

On 22 April 2019, upon the approval of Hong Kong Monetary Authority and in accordance with the relevant provisions of the Capital Securities, CIFH made early redemption in full of the USD300 million Capital Securities issued on 22 April 2014.

On 29 September 2017, the 26th meeting of the fourth session of the board of directors of the Bank reviewed and approved the Proposal on the Capital Injection and Issuance of New Shares of China CITIC Bank International Limited ("CNCBI"), the 100% owned subsidiary of CIFH which is a subsidiary of the Bank. The Bank agreed that CNCBI would issue 3,027,780,392 new shares to be subscribed by five investors. The total investment amount of the five investors is approximately HKD9,053 million. CNCBI is the second tier wholly-owned subsidiary of the Bank before the Capital Injection with clear ownership relations of the subject matter of the transaction. After the Capital Injection, CIFH holds 75% equity interests of CNCBI.

(Amounts in millions of Renminbi unless otherwise stated)

47 Notes to consolidated interim statement of cash flows

Cash and cash equivalents

	Six months ended 30 June	
	2019	2018
Cash	**6,158**	6,187
Cash equivalents		
— Surplus deposit reserve funds	**48,656**	85,246
— Deposits with banks and non-bank financial institutions due within three months when acquired	**49,116**	76,702
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**95,838**	114,978
— Investment securities due within three months when acquired	**37,265**	26,718
Subtotal	**230,875**	303,644
Total	**237,033**	309,831

48 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	30 June 2019	31 December 2018
Contractual amount		
Loan commitments		
— with an original maturity within one year	**4,739**	4,521
— with an original maturity of one year or above	**34,128**	35,508
Subtotal	**38,867**	40,029
Credit card commitments	**502,985**	434,590
Bank acceptances	**381,943**	393,851
Guarantees	**145,825**	158,813
Letters of credit	**93,804**	92,924
Total	**1,163,424**	1,120,207

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2019	31 December 2018
Credit risk weighted amount of credit commitments	**415,926**	370,529

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

(c) Capital commitments

(i) The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

	30 June 2019	31 December 2018
For the purchase of property and equipment		
Contracted for	**6,846**	5,356

(ii) On 13 December 2018, the Group announced and approved the establishment of a wealth management subsidiary by the Board of Directors. The proposed registered capital of the subsidiary was no more than RMB5 billion, which the bank hold all the shares. As at 30 June 2019, the matters are subject to the approval of relevant regulatory authorities.

(d) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes.

As at 30 June 2019, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB828 million (as at 31 December 2018: RMB271 million). Based on the opinion of internal and external legal counsels, the Group had not made litigation provisions for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil) against these litigation (Note 37). Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

(e) Bonds redemption obligations

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

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	30 June 2019	31 December 2018
Redemption commitment for treasury bonds	**11,830**	11,101

The original maturities of these bonds vary from one to five years. Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(f) Underwriting obligations

As at 30 June 2019 and 31 December 2018, the Group did not have unfulfilled commitment in respect of securities underwriting business.

49 Collateral

(a) Assets pledged

(i) The carrying amount of financial assets pledged as collateral in the Group's ordinary course of businesses, including repurchase agreements and borrowings from central banks, are disclosed as below:

	30 June 2019	31 December 2018
Debt securities	**336,408**	439,272
Discounted bills	**33,199**	33,955
Others	**199**	172
Total	**369,806**	473,399

As at 30 June 2019 and 31 December 2018, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

(ii) In addition, as at 30 June 2019, the Group pledged debt securities and deposits with banks and other financial institutions with carrying amount totalling RMB798 million (31 December 2018: RMB1,335 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities and bills as collateral for financial assets held under resale agreements as set out in Note 18. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 30 June 2019, the Group held no collateral that can be resold or re-pledged (31 December 2018: Nil). During the six months ended 30 June 2019, the Group did not resell or re-pledge any of these collateral (Six months ended 30 June 2018: Nil).

50 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these corporations, individuals or provident housing fund centre and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group does not expose to credit risk in relation to these transactions, but acts as an agent to hold and manage these assets and liabilities at the instruction of the entrusting parties and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the consolidated statement of financial position. Income received and receivable for providing these services is included in the consolidated statement of profit or loss as fee income.

(Amounts in millions of Renminbi unless otherwise stated)

50 Transactions on behalf of customers (Continued)

(a) Entrusted lending business (Continued)

At the reporting date, the entrusted assets and liabilities were as follows:

	30 June 2019	31 December 2018
Entrusted loans	**561,460**	640,227
Entrusted funds	**561,462**	640,229

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, including principal guaranteed (Note 56 (c)) and non-principal or interest guaranteed wealth management products (Note 56 (b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognised in the interim consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 56 (b)).

The assets and liabilities of these wealth management products are not assets and liabilities of the Group and are not recognised on the interim consolidated statement of financial position. As at 30 June 2019, the amount of total assets invested by these non-principal guaranteed wealth management products issued by the Group was disclosed in Note 56(b).

51 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangibles assets and intangible assets) whose estimated useful lives are over one year.

51 Segment reporting (Continued)

(a) Business segments

The Group has the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury business

This segment conducts capital markets operations, inter-bank operations, which, specifically, includes inter-bank money market transactions, repurchase transactions, and investments and trading in debt instruments. Furthermore, treasury business segment also carries out derivatives and forex trading both for the Group and for customers.

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2019				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	25,889	28,570	14,230	(11,527)	57,162
Internal net interest income/(expense)	13,208	(18,092)	(10,226)	15,110	—
Net interest income	39,097	10,478	4,004	3,583	57,162
Net fee and commission income	6,833	22,942	298	(1,781)	28,292
Other net income (Note (i))	1,167	346	5,964	261	7,738
Operating income	47,097	33,766	10,266	2,063	93,192
Operating expenses					
— depreciation and amortisation	(1,225)	(666)	(834)	(234)	(2,959)
— others	(8,246)	(12,535)	(516)	(417)	(21,714)
Credit impairment losses	(22,098)	(10,411)	(65)	(1,382)	(33,956)
Impairment losses on other assets	(65)	—	—	(169)	(234)
Revaluation gain on investment properties	—	—	—	6	6
Share of loss of associates and joint ventures	—	—	—	107	107
Profit before tax	15,463	10,154	8,851	(26)	34,442
Income tax					(5,605)
Profit for the period					28,837
Capital expenditure	381	231	266	239	1,117

	30 June 2019				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,365,918	1,255,075	1,680,495	1,066,898	6,368,386
Interest in associates and joint ventures	—	—	118	3,554	3,672
Deferred tax assets					26,745
Total asset					6,398,803
Segment liabilities	3,298,489	1,754,696	830,628	43,019	5,926,832
Deferred tax liabilities					13
Total liabilities					5,926,845
Off-balance sheet credit commitments	1,069,620	93,804	—	—	1,163,424

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2018				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	26,882	25,556	11,780	(14,410)	49,808
Internal net interest income/(expense)	9,670	(17,064)	(8,612)	16,006	—
Net interest income	36,552	8,492	3,168	1,596	49,808
Net fee and commission income	4,463	16,188	397	814	21,862
Other net income (Note (i))	2,634	3,449	4,446	(819)	9,710
Operating income	43,649	28,129	8,011	1,591	81,380
Operating expenses					
— depreciation and amortisation	(551)	(260)	(296)	(292)	(1,399)
— others	(8,658)	(11,151)	(963)	(392)	(21,164)
Impairment losses	(19,884)	(5,077)	(244)	(956)	(26,161)
Revaluation gain on investment properties	—	—	—	8	8
Share of loss of associates and joint ventures	—	—	—	(222)	(222)
Profit before tax	14,556	11,641	6,508	(263)	32,442
Income tax					(6,267)
Profit for the period					26,175
Capital expenditure	233	126	123	133	615

	31 December 2018				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,328,330	1,155,488	1,488,115	1,067,726	6,039,659
Interest in associates and joint ventures	—	—	118	3,763	3,881
Deferred tax assets					23,174
Total asset					6,066,714
Segment liabilities	3,046,177	1,538,976	716,638	311,821	5,613,612
Deferred tax liabilities					16
Total liabilities					5,613,628
Off-balance sheet credit commitments	1,027,283	92,924	—	—	1,120,207

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

51 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

— "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;

— "Pearl River Delta and West Strait" refers to the following areas where Tier-One branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

— "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

— "Central" region refers to the following areas where Tier-One branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where Tier-One branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

— "Northeastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

— "Overseas" includes all the operations of London branch, CNCB Investment, CIFH and its subsidiaries.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2019									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	12,895	8,129	1,109	8,511	8,697	852	14,034	2,935	–	57,162
Internal net interest income/(expense)	(52)	600	8,952	(1,191)	(2,755)	60	(5,478)	(136)	–	–
Net interest income	12,843	8,729	10,061	7,320	5,942	912	8,556	2,799	–	57,162
Net fee and commission income	1,504	1,220	2,196	914	786	187	20,762	723	–	28,292
Other net income (Note (i))	294	95	180	51	65	20	6,298	735	–	7,738
Operating income	14,641	10,044	12,437	8,285	6,793	1,119	35,616	4,257	–	93,192
Operating expense										
— depreciation and amortisation	(463)	(369)	(453)	(349)	(416)	(113)	(537)	(259)	–	(2,959)
— others	(3,990)	(2,854)	(3,787)	(2,374)	(2,249)	(577)	(4,438)	(1,455)	–	(21,714)
Credit impairment losses	(5,634)	(5,350)	(7,320)	(3,645)	(4,368)	(1,072)	(6,078)	(489)	–	(33,956)
Impairment losses on other assets	(76)	–	(77)	(17)	–	–	–	(64)	–	(234)
Revaluation gain on investment properties	–	–	–	–	–	–	–	6	–	6
Share of loss of associates and joint ventures	–	–	–	–	–	–	100	7	–	107
Profit before tax	4,478	1,471	800	1,900	(240)	(643)	24,663	2,013	–	34,442
Income tax										(5,605)
Profit for the period										28,837
Capital expenditure	66	60	39	29	27	7	784	105	–	1,117

	30 June 2019									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,401,845	840,301	1,442,681	622,065	587,722	102,935	2,475,847	322,889	(1,427,899)	6,368,386
Interest in associates and joint ventures	–	–	–	–	–	–	2,978	694	–	3,672
Deferred tax assets										26,745
Total assets										6,398,803
Segment liabilities	1,295,803	876,203	1,424,220	613,740	576,840	102,459	2,169,950	273,216	(1,405,599)	5,926,832
Deferred tax liabilities										13
Total liabilities										5,926,845
Off-balance sheet credit commitments	183,357	129,330	120,292	128,993	74,697	10,122	495,756	20,877	–	1,163,424

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2018									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	10,476	6,894	6,121	7,683	8,181	1,072	6,343	3,038	—	49,808
Internal net interest income/(expense)	757	1,511	3,880	(881)	(2,595)	(210)	(2,302)	(160)	—	—
Net interest income	11,233	8,405	10,001	6,802	5,586	862	4,041	2,878	—	49,808
Net fee and commission income	1,748	1,483	2,503	898	829	179	13,499	723	—	21,862
Other net income (Note (i))	346	130	350	62	51	17	8,226	528	—	9,710
Operating income	13,327	10,018	12,854	7,762	6,466	1,058	25,766	4,129	—	81,380
Operating expense										
— depreciation and amortisation	(263)	(131)	(179)	(160)	(184)	(53)	(344)	(85)	—	(1,399)
— others	(3,578)	(2,664)	(3,690)	(2,379)	(2,284)	(564)	(4,707)	(1,298)	—	(21,164)
Impairment losses	(4,853)	(3,518)	(5,785)	(3,436)	(3,695)	(2,186)	(2,039)	(649)	—	(26,161)
Revaluation gain on investment properties	—	—	—	—	—	—	8	—	—	8
Share of loss of associates and joint ventures	—	—	—	—	—	—	(108)	(114)	—	(222)
Profit before tax	4,633	3,705	3,200	1,787	303	(1,745)	18,576	1,983	—	32,442
Income tax										(6,267)
Profit for the period										26,175
Capital expenditure	32	26	19	34	20	15	402	67	—	615

	31 December 2018									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,184,230	812,520	1,255,616	594,775	539,071	97,329	2,442,818	337,570	(1,224,270)	6,039,659
Interest in associate and joint ventures	—	—	—	—	—	—	2,878	1,003	—	3,881
Deferred tax assets										23,174
Total assets										6,066,714
Segment liabilities	1,191,150	800,478	1,228,822	596,075	524,880	106,680	2,084,629	282,868	(1,201,970)	5,613,612
Deferred tax liabilities										16
Total liabilities										5,613,628
Off-balance sheet credit commitment	189,531	133,112	125,076	140,766	77,284	10,914	427,397	16,127	—	1,120,207

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

52 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk** Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.

— **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategy risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury businesses and off-balance sheet items.

The Group has standardised management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off the recoverable financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk to the Group caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses

Since 1 January 2018, the Group adapts, the "expected credit loss model" on its debt instruments which are classified as financial assets measured at amortised cost and at fair value through other comprehensive income in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognise expected credit losses and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the expected credit losses in the next 12 months, which represents the proportion of the expected credit losses in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The expected credit losses of financial instruments in stage 2 is measured based on the lifetime expected credit losses.

Stage 3: If there is a significant impairment in financial instruments, it will be moved to stage 3. The expected credit losses of financial instruments in stage 3 is measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the expected credit losses for financial assets through testing models, which includes expected loss model and discounted cash flows model. The expected loss model method is applicable to assets related to personal client and assets related to corporate client in stage 1 and 2. Discounted cash flows model is applicable to assets related to corporate client in stage 3.

The Group estimate the ECL in accordance with the IFRS 9, the key judgments and assumptions adopted by the Group are as follows:

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) credit risk of borrowers declining to Grade 15 or below since initial recognition; (2) significant adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(2) *Definition of credit-impaired assets*

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties;
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principle etc;
- The creditor gives the debtor no concession under any other circumstances, for economic or contractual reasons relating to the debtor's financial difficulties;
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring;
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's ECL calculation process.

(3) *Inputs for measurement of expected credit losses*

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows:

- The probability of default represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PD and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. The Group has obtained sufficient information to ensure its statistical reliability. ECL of the Group is measured based on the continuous assessment and follow-up of individuals and their financial status.

During the reporting period, there were no significant changes in the estimated technology or key assumptions.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(4) Forward-looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each asset portfolio.

These economic variables and their associated impact on the probability of default vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a quarterly basis, and the impact of these economic variables on the probability of default and the exposure at default was determined by statistical regression analysis.

In addition to the base economic scenario, the Group determine the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (stage 1) or a probability weight lifetime expected credit losses (stage 2 and stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has built a macro forecast model, and performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, such as domestic Gross Domestic Product ("GDP"), electricity production and registered urban unemployment rate, etc.

During the six months ended 30 June 2019, the Group has considered different macroeconomic scenarios, and the key macroeconomic scenario assumptions in estimating ECL are set out below:

Variables	Range
Growth rate of domestic GDP, year on year	5.70%-7.20%
Accumulated electricity production, year on year	1.68%-6.11%
Registered urban unemployment rate	3.57%-3.73%

Adopt top-down development approach, the Group has established models including different key economic indicators is established with the new actual default rate of regression model, and use the prediction results and historic default information adjustment coefficient calculation, then realise the provisions for forward-looking adjustment.

The Group considers internal and external data, experts predict, and the best estimate of future, to determine the weightings in positive, neutral and negative scenarios. Neutral is defined as the most likely to happen in the future, as compare to other scenarios. Optimistic scenario and pessimistic scenario represents the possible scenario that is better off or worse off scenario compared to neutral scenario respectively. Currently, the weighting of neutral scenario is equal to the sum of the weightings of other scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

For portfolio cannot establish regression model, such as customer default rate is extremely low, or no suitable internal rating data portfolio, etc., the Group mainly uses the regression model has been established a similar combination than expected losses, in order to increase the coverage of existing impairment model.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(5) *Sensitivity information and management's overlay*

The change of the inputs for measurement of ECL and forward-looking information impact the assessment of significant increase in credit risk and measurement of credit loss.

As at 30 June 2019, assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the allowance for credit impairment losses of the Group would decrease by RMB3.824 billion (31 December 2018: RMB2.868 billion); assuming a 10% increase in the weighting of the pessimistic scenario and a 10% decrease in the weighting of neutral scenario, the allowance for credit impairment losses of the Group would increase by RMB2.978 billion (31 December 2018: RMB2.166 billion).

For new changes in the external economic situation not captured by the model, the Group has also considered and increased the allowances for expected credit losses to further improve its risk mitigation capacity.

Allowance for impairment losses of performing loans and advances to customers consists of ECL from Stage 1 and Stage 2 which is measured based on 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact as if the ECL of all performing loans and advances to customers are measured based on 12 months ECL, holding all other risk profile constant.

	30 June 2019	31 December 2018
Performing loans and advances to customers		
Allowance of impairment losses assuming performing loans and advances to customers are in Stage 1	**56,466**	53,070
Impact of stage transfers	**2,426**	1,790
Current allowance for impairment losses	**58,892**	54,860

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) *Maximum credit risk exposure*

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the consolidated interim statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	30 June 2019				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	407,808	—	—	—	407,808
Deposits with bank and non-bank financial institutions	49,914	—	—	—	49,914
Placements with and loans to banks and non-bank financial institutions	173,887	—	—	—	173,887
Financial assets at fair value through profit or loss					
Derivative financial assets	—	—	—	18,626	18,626
Financial assets held under resale agreements	44,710	—	—	—	44,710
Loans and advances to customers (Note (i))	3,642,266	72,868	20,629	—	3,735,763
Financial investments					
— at fair value through profit or loss	—	—	—	308,433	308,433
— at amortised cost	924,610	121	162	—	924,893
— at fair value through other comprehensive income	552,644	119	151	—	552,914
— designated at fair value through other comprehensive income	—	—	—	3,478	3,478
Other financial assets	38,854	3,089	3,613	—	45,556
Subtotal	5,834,693	76,197	24,555	330,537	6,265,982
Credit commitments	1,157,955	5,283	186	—	1,163,424
Maximum credit risk exposure	6,992,648	81,480	24,741	330,537	7,429,406

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

	31 December 2018				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	532,520	—	—	—	532,520
Deposits with bank and non-bank financial institutions	99,153	—	—	—	99,153
Placements with and loans to banks and non-bank financial institutions	176,159	—	1	—	176,160
Derivative financial assets	—	—	—	31,991	31,991
Financial assets held under resale agreements	10,790	—	—	—	10,790
Interest receivables	—	—	—	—	—
Loans and advances to customers (Note (i))	3,425,701	70,888	19,061	—	3,515,650
Financial investments					
— at fair value through profit or loss	—	—	—	308,872	308,872
— at amortised cost	773,878	3,738	622	—	778,238
— at fair value through other comprehensive income	510,020	105	221	—	510,346
— designated at fair value through other comprehensive income	—	—	—	2,707	2,707
Other financial assets	17,440	2,191	4,667	—	24,298
Subtotal	5,545,661	76,922	24,572	343,570	5,990,725
Credit commitments	1,114,830	5,257	120	—	1,120,207
Maximum credit risk exposure	6,660,491	82,179	24,692	343,570	7,110,932

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	30 June 2019						
	Risk level 1	**Risk level 2**	**Risk level 3**	**Default**	**Subtotal**	**Allowance for impairment losses**	**Net balance**
Loans and advances to customers							
Stage 1 (Note(i))	**2,909,553**	**703,087**	**64,591**	**—**	**3,677,231**	**(34,965)**	**3,642,266**
Stage 2	**1,482**	**16,572**	**78,429**	**—**	**96,483**	**(23,615)**	**72,868**
Stage 3	**—**	**—**	**—**	**71,082**	**71,082**	**(50,453)**	**20,629**
Financial investments at amortised cost							
Stage 1	**847,942**	**79,650**	**—**	**—**	**927,592**	**(2,982)**	**924,610**
Stage 2	**—**	**—**	**196**	**—**	**196**	**(75)**	**121**
Stage 3	**—**	**—**	**—**	**774**	**774**	**(612)**	**162**
Financial investments at fair value through other comprehensive income							
Stage 1	**504,341**	**48,303**	**—**	**—**	**552,644**	**(1,333)**	**552,644**
Stage 2	**—**	**119**	**—**	**—**	**119**	**(2)**	**119**
Stage 3	**—**	**—**	**—**	**151**	**151**	**(209)**	**151**
Maximum credit risk exposure	**4,263,318**	**847,731**	**143,216**	**72,007**	**5,326,272**	**(114,246)**	**5,213,570**

	31 December 2018						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers							
Stage 1 (Note(i))	2,713,135	683,890	60,616	—	3,457,641	(31,940)	3,425,701
Stage 2	414	9,373	83,889	—	93,676	(22,788)	70,888
Stage 3	—	—	—	65,433	65,433	(46,372)	19,061
Financial investments at amortised cost							
Stage 1	671,939	104,619	—	—	776,558	(2,680)	773,878
Stage 2	—	3,890	—	—	3,890	(152)	3,738
Stage 3	—	—	—	1,160	1,160	(538)	622
Financial investments at fair value through other comprehensive income							
Stage 1	493,858	16,162	—	—	510,020	(727)	510,020
Stage 2	—	105	—	—	105	(2)	105
Stage 3	—	—	—	221	221	(310)	221
Maximum credit risk exposure	3,879,346	818,039	144,505	66,814	4,908,704	(105,509)	4,804,234

Note:

(i) Stage 1 includes loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment does not include in the "Allowance for impairment losses" as shown in the table.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses

The following table shows the movement in carrying value of loans and advances to customers in current reporting period:

	Six months ended 30 June 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**3,457,641**	**93,676**	**65,433**
Movements			
Net transfers out from Stage 1	**(49,205)**	**—**	**—**
Net transfers in to Stage 2	**—**	**11,966**	**—**
Net transfers in to Stage 3	**—**	**—**	**37,239**
Net transactions incurred during the period (Note(i))	**268,093**	**(9,238)**	**(6,049)**
Write-off	**—**	**—**	**(27,658)**
Others (Note(ii))	**702**	**79**	**2,117**
As at 30 June 2019	**3,677,231**	**96,483**	**71,082**

	Year ended 31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	3,036,736	92,227	67,933
Movements			
Net transfers out from Stage 1	(84,271)	—	—
Net transfers in to Stage 2	—	11,115	—
Net transfers in to Stage 3	—	—	73,156
Net transactions incurred during the year (Note(i))	495,119	(10,215)	(28,961)
Write-off	—	—	(46,937)
Others (Note(ii))	10,057	549	242
As at 31 December 2018	3,457,641	93,676	65,433

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	Six months ended 30 June 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**1,286,574**	**3,995**	**1,385**
Movements			
Net transfers out from Stage 1	**—**	**—**	**—**
Net transfers in to Stage 2	**—**	**—**	**—**
Net transfers in to Stage 3	**—**	**—**	**—**
Net transactions incurred during the period (Note(i))	**193,615**	**(3,695)**	**(247)**
Write-off	**—**	**—**	**(186)**
Others (Note(ii))	**47**	**15**	**(27)**
As at 30 June 2019	**1,480,236**	**315**	**925**

	Year ended 31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	1,064,552	347	45
Movements			
Net transfers out from Stage 1	(8,430)	—	—
Net transfers in to Stage 2	—	3,875	—
Net transfers in to Stage 3	—	—	4,555
Net transactions incurred during the year (Note(i))	227,172	(236)	(2,528)
Write-off	—	—	(689)
Others (Note(ii))	3,280	9	2
As at 31 December 2018	1,286,574	3,995	1,385

Notes:

(i) Net transactions incurred during the period/year mainly includes changes in carrying amount due to purchased, originated or de-recognition excepting for write-off.

(ii) Others include movement of accrued interest, and effect of exchange differences.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	Six months ended 30 June 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**32,072**	**22,788**	**46,372**
Movements (Note(i))			
Net transfers out from Stage 1	**(4,014)**	**—**	**—**
Net transfers in to Stage 2	**—**	**1,176**	**—**
Net transfers in to Stage 3	**—**	**—**	**27,160**
Net transactions incurred during the period (Note(ii))	**3,904**	**(2,431)**	**(3,466)**
Changes in parameters for the period (Note(iii))	**3,306**	**2,080**	**5,759**
Write-off	**—**	**—**	**(27,658)**
Others (Notes(iv))	**8**	**3**	**2,302**
As at 30 June 2019	**35,276**	**23,616**	**50,469**

The following table shows the movement in allowance for impairment of loans and advances to customers in previous reporting period:

	Year ended 31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	30,664	24,674	42,565
Movements (Note(i))			
Net transfers out from Stage 1	(1,870)	—	—
Net transfers in to Stage 2	—	515	—
Net transfers in to Stage 3	—	—	48,640
Net transactions incurred during the year (Note(ii))	4,702	(1,838)	(1,337)
Changes in parameters for the year (Note(iii))	(1,540)	(625)	1,107
Write-off	—	—	(46,937)
Others (Notes(iv))	116	62	2,334
As at 31 December 2018	32,072	22,788	46,372

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	Six months ended 30 June 2019		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2019	**3,407**	**154**	**848**
Movements (Note(i))			
Net transfers out from Stage 1	—	—	—
Net transfers in to Stage 2	—	—	—
Net transfers in to Stage 3	—	—	—
Net transactions incurred during the period (Note(ii))	**1,455**	**(135)**	**(18)**
Changes in parameters for the period (Note(iii))	**(548)**	**58**	**180**
Write-off	—	—	**(186)**
Others (Notes(iv))	**1**	—	**(3)**
As at 30 June 2019	**4,315**	**77**	**821**

	Year ended 31 December 2018		
	Stage 1	Stage 2	Stage 3
As at 1 January 2018	3,953	10	31
Movements (Note(i))			
Net transfers out from Stage 1	(239)	—	—
Net transfers in to Stage 2	—	144	—
Net transfers in to Stage 3	—	—	1,843
Net transactions incurred during the year (Note(ii))	370	—	—
Changes in parameters for the year (Note(iii))	(703)	—	(341)
Write-off	—	—	(689)
Others (Notes(iv))	26	—	4
As at 31 December 2018	3,407	154	848

Notes:

(i) Movements in allowance for impairment during the period/year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions incurred during the period/year mainly include changes in allowance for impairment due to financial assets purchased, originated or derecognised (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements.

(iv) Others include allowance changes of accrued interest recovery of financial assets written off and the effect of exchange rate changes.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by industry sector:

	30 June 2019			31 December 2018		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— manufacturing	**279,244**	**7.3**	**125,489**	295,005	8.2	140,199
— real estate	**304,850**	**7.9**	**265,112**	312,923	8.7	273,640
— rental and business services	**296,763**	**7.7**	**181,632**	282,699	7.8	177,013
— water, environment and public utility management	**238,241**	**6.2**	**119,715**	208,922	5.8	106,882
— wholesale and retail	**155,956**	**4.1**	**90,694**	151,391	4.2	89,064
— transportation, storage and postal services	**148,620**	**3.9**	**68,446**	151,038	4.2	76,331
— construction	**95,732**	**2.5**	**41,286**	79,086	2.2	31,980
— production and supply of electric power, gas and water	**77,426**	**2.0**	**53,746**	72,938	2.0	40,669
— public management and social organisations	**12,906**	**0.3**	**6,422**	13,366	0.4	2,721
— others	**330,158**	**8.5**	**136,125**	313,757	8.6	128,377
Subtotal	**1,939,896**	**50.4**	**1,088,667**	1,881,125	52.1	1,066,876
Personal loans	**1,647,668**	**42.9**	**1,088,650**	1,484,490	41.0	1,000,203
Discounted bills	**248,312**	**6.5**	**—**	242,797	6.7	—
Accrued interest	**8,920**	**0.2**	**—**	8,338	0.2	—
Gross loans and advances to customers	**3,844,796**	**100.0**	**2,177,317**	3,616,750	100.0	2,067,079

(iv) Loans and advances to customers analysed by geographical sector:

	30 June 2019			31 December 2018		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**1,151,105**	**29.9**	**419,408**	1,123,293	31.1	426,447
Yangtze River Delta	**880,884**	**22.9**	**566,399**	784,722	21.7	507,327
Pearl River Delta and West Strait	**581,561**	**15.1**	**471,084**	549,491	15.2	448,719
Central	**507,311**	**13.2**	**319,077**	463,100	12.8	296,286
Western	**467,198**	**12.2**	**278,608**	433,143	12.0	269,765
Northeastern	**73,825**	**1.9**	**50,209**	75,682	2.1	51,582
Outside Mainland China	**173,992**	**4.6**	**72,532**	178,981	4.9	66,953
Accrued interest	**8,920**	**0.2**	**—**	8,338	0.2	—
Total	**3,844,796**	**100.0**	**2,177,317**	3,616,750	100.0	2,067,079

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers analysed by type of security

	30 June 2019	31 December 2018
Unsecured loans	**911,416**	806,154
Guaranteed loans	**498,831**	492,382
Secured loans	**2,177,317**	2,067,079
— loans secured by collateral	**1,734,439**	1,658,484
— pledged loans	**442,878**	408,595
Subtotal	**3,587,564**	3,365,615
Discounted bills	**248,312**	242,797
Accrued interest	**8,920**	8,338
Gross loans and advances to customers	**3,844,796**	3,616,750

(vi) Rescheduled loans and advances to customers

	30 June 2019		31 December 2018	
	Gross balance	% of total loans and advances	Gross balance	% of total loans and advances
Rescheduled loans and advances	**21,063**	**0.55%**	21,588	0.60%
— rescheduled loans and advances overdue more than 3 months	**16,210**	**0.42%**	18,748	0.52%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated after their credit condition declined. And for the purpose of management, the group reorganises the loans that have been classified as bad under the premise of satisfying credit enhancement, aiming at the deterioration of the borrower's financial position before the loan matures.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(vii) Debt securities analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. As at 30 June 2019 and 31 December 2018, debt instruments investments analysed by rating are as follows:

	30 June 2019					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**391,570**	**155,014**	**12,835**	**1,383**	**—**	**560,802**
— policy banks	**71,745**	**844**	**—**	**5,344**	**—**	**77,933**
— public entities	**2**	**99**	**574**	**—**	**—**	**675**
— banks and non-bank financial institutions	**34,217**	**200,338**	**8,223**	**17,723**	**9,122**	**269,623**
— corporates	**23,540**	**34,570**	**49,567**	**25,296**	**13,209**	**146,182**
Investment management products managed by securities companies	**345,299**	**—**	**—**	**—**	**—**	**345,299**
Trust investment plans	**157,989**	**—**	**—**	**—**	**—**	**157,989**
Total	**1,024,362**	**390,865**	**71,199**	**49,746**	**22,331**	**1,558,503**

	31 December 2018					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities issued by:						
— governments	371,368	114,370	11,693	265	—	497,696
— policy banks	108,816	8,664	—	7,016	—	124,496
— public entities	178	29	1,666	—	—	1,873
— banks and non-bank financial institutions	26,995	181,031	4,569	23,595	9,591	245,781
— corporates	55,240	48,675	10,047	7,230	6,254	127,446
Investment management products managed by securities companies	228,392	—	—	—	—	228,392
Trust investment plans	178,019	—	—	—	—	178,019
Total	969,008	352,769	27,975	38,106	15,845	1,403,703

Note:

(i) Unrated debt securities held by the Group are investment management products managed by securities companies, trust investment plans, bonds issued primarily by the Chinese government, policy banks, banks and non-bank financial institutions.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	30 June 2019	31 December 2018
Investment management products managed by securities companies and trust investment plans		
— interbank assets products issued by other banks	**—**	16,650
— credit assets	**281,965**	300,089
— rediscounted bills	**219,956**	89,831
Total	**501,921**	406,570

The Group divides investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral, and pledge.

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organisational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorisation limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimise the term structure of its deposits accordingly.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

The following tables summaries the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

	30 June 2019						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.55%	413,966	58,816	355,150	—	—	—
Deposits with banks and non-bank financial institutions	1.69%	49,914	26	49,888	—	—	—
Placements with and loans to banks and non-bank financial institutions	2.87%	173,887	837	114,779	55,271	3,000	—
Financial assets held under resale agreements	2.12%	44,710	3	44,707	—	—	—
Loans and advances to customers (Note (ii))	4.80%	3,735,763	9,035	1,569,943	1,976,377	158,773	21,635
Financial investments							
— at fair value through profit or loss		308,433	230,923	20,883	38,493	10,361	7,773
— at amortised cost	4.38%	924,893	11,074	68,283	295,215	359,283	191,038
— at fair value through other comprehensive income	3.80%	552,914	9,002	44,057	82,369	302,930	114,556
— designated at fair value through other comprehensive income		3,478	3,478	—	—	—	—
Others		190,845	188,730	519	1,596	—	—
Total assets		6,398,803	511,924	2,268,209	2,449,321	834,347	335,002
Liabilities							
Borrowings from central banks	3.34%	237,279	3,309	72,570	161,400	—	—
Deposits from banks and non-bank financial institutions	2.86%	846,035	4,563	701,091	139,711	670	—
Placements from banks and non-bank financial institutions	2.83%	59,717	292	21,334	33,457	4,634	—
Financial liabilities at fair value through profit or loss							
Financial assets sold under repurchase agreements	2.40%	42,968	—	30,715	12,253	—	—
Deposits from customers	2.06%	4,034,436	52,311	2,904,234	608,539	469,321	31
Debt securities issued	3.96%	606,403	4,647	142,368	294,949	20,330	144,109
Lease liability	4.69%	10,883	293	—	208	5,525	4,857
Others		89,124	89,124	—	—	—	—
Total liabilities		5,926,845	154,539	3,872,312	1,250,517	500,480	148,997
Interest rate gap		471,958	357,385	(1,604,103)	1,198,804	333,867	186,005

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	31 December 2018						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.54%	538,708	17,047	521,661	—	—	—
Deposits with banks and non-bank financial institutions	2.22%	99,153	114	94,039	5,000	—	—
Placements with and loans to banks and non-bank financial institutions	3.38%	176,160	873	129,236	46,051	—	—
Financial assets held under resale agreements	2.59%	10,790	—	10,790	—	—	—
Loans and advances to customers (Note (ii))	4.86%	3,515,650	8,635	1,577,525	918,215	996,066	15,209
Financial investments							
— at fair value through profit or loss		308,872	225,164	28,057	26,624	20,915	8,112
— at amortised cost	4.71%	778,238	8,541	67,972	181,186	388,840	131,699
— at fair value through other comprehensive income	3.80%	510,346	8,529	42,830	73,607	288,337	97,043
— designated at fair value through other comprehensive income		2,707	2,707	—	—	—	—
Others		126,090	124,208	1,711	171	—	—
Total assets		6,066,714	395,818	2,473,821	1,250,854	1,694,158	252,063
Liabilities							
Borrowings from central banks	3.29%	286,430	—	68,350	218,080	—	—
Deposits from banks and non-bank financial institutions	3.54%	782,264	4,151	553,283	224,660	170	—
Placements from banks and non-bank financial institutions	3.49%	115,358	241	83,859	31,224	—	34
Financial liabilities at fair value through profit or loss		962	962	—	—	—	—
Financial assets sold under repurchase agreements	2.84%	120,315	35	110,790	9,490	—	—
Deposits from customers	1.88%	3,649,611	20,940	2,605,686	647,223	375,730	32
Debt securities issued	4.52%	552,483	4,155	98,144	247,974	95,260	106,950
Others		106,205	104,823	1,382	—	—	—
Total liabilities		5,613,628	135,307	3,521,494	1,378,651	471,160	107,016
Interest rate gap		453,086	260,511	(1,047,673)	(127,797)	1,222,998	145,047

Notes:

(i) Average interest rate represented the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB44,072 million as at 30 June 2019 (as at 31 December 2018: RMB42,289 million).

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 30 June 2019 and 31 December 2018.

	30 June 2019		31 December 2018	
	Net interest Income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(7,050)**	**(709)**	(11,435)	(1,409)
-100 basis points	**7,050**	**709**	11,435	1,409

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the after three months but within one year bracket are both reprice or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows:

	30 June 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	403,116	10,134	502	214	413,966
Deposits with banks and non-bank financial institutions	26,252	15,751	3,075	4,836	49,914
Placements with and loans to banks and non-bank financial institutions	112,696	36,788	19,896	4,507	173,887
Financial assets held under resale agreements	44,710	—	—	—	44,710
Loans and advances to customers	3,481,980	120,882	111,653	21,248	3,735,763
Financial investments					
— at fair value through profit or loss	285,420	19,766	3,247	—	308,433
— at amortised cost	922,815	2,078	—	—	924,893
— at fair value through other comprehensive income	462,130	68,066	15,610	7,108	552,914
— designated at fair value through other comprehensive income	2,985	177	316	—	3,478
Others	177,084	3,642	7,034	3,085	190,845
Total assets	5,919,188	277,284	161,333	40,998	6,398,803
Liabilities					
Borrowings from central banks	237,279	—	—	—	237,279
Deposits from banks and non-bank financial institutions	840,730	4,996	218	91	846,035
Placements from banks and non-bank financial institutions	37,706	21,494	130	387	59,717
Financial assets sold under repurchase agreements	42,968	—	—	—	42,968
Deposits from customers	3,674,067	197,266	143,125	19,978	4,034,436
Debt securities issued	585,705	20,698	—	—	606,403
Lease liability	10,097	8	618	160	10,883
Others	79,171	4,855	4,677	421	89,124
Total liabilities	5,507,723	249,317	148,768	21,037	5,926,845
Net on-balance sheet position	411,465	27,967	12,565	19,961	471,958
Credit commitments	1,052,590	91,396	11,969	7,469	1,163,424
Derivatives (Note (i))	11,137	(17,984)	20,092	(13,960)	(715)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

	31 December 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	525,321	12,668	535	184	538,708
Deposits with banks and non-bank financial institutions	64,670	23,757	2,429	8,297	99,153
Placements with and loans to banks and non-bank financial institutions	123,262	41,291	9,137	2,470	176,160
Financial assets held under resale agreements	9,832	958	—	—	10,790
Loans and advances to customers	3,263,386	122,573	109,773	19,918	3,515,650
Financial investments					
— at fair value through profit or loss	287,997	18,146	2,729	—	308,872
— at amortised cost	775,749	2,489	—	—	778,238
— at fair value through other comprehensive income	429,671	50,766	23,970	5,939	510,346
— designated at fair value through other comprehensive income	2,340	155	212	—	2,707
Others	121,762	1,858	515	1,955	126,090
Total assets	5,603,990	274,661	149,300	38,763	6,066,714
Liabilities					
Borrowings from central banks	286,430	—	—	—	286,430
Deposits from banks and non-bank financial institutions	777,789	2,582	131	1,762	782,264
Placements from banks and non-bank financial institutions	101,094	14,139	125	—	115,358
Financial liabilities at fair value through profit or loss	—	962	—	—	962
Financial assets sold under repurchase agreements	120,097	218	—	—	120,315
Deposits from customers	3,283,244	205,993	138,905	21,469	3,649,611
Debt securities issued	531,768	20,715	—	—	552,483
Others	93,020	3,626	7,625	1,934	106,205
Total liabilities	5,193,442	248,235	146,786	25,165	5,613,628
Net on-balance sheet position	410,548	26,426	2,514	13,598	453,086
Credit commitments	1,004,799	95,187	12,862	7,359	1,120,207
Derivatives (Note (i))	33,795	(38,861)	22,205	(14,261)	2,878

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 30 June 2019 and 31 December 2018, the results of the Group's foreign exchange rate sensitivity analysis.

	30 June 2019		31 December 2018	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**2,287**	**35**	582	(1)
5% depreciation	**(2,287)**	**(35)**	(582)	1

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

— Liquidity gap analysis

— Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring

— Scenario analysis

— Stress testing

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

Analysis of the remaining contractual maturity of assets and liabilities:

	30 June 2019						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Assets							
Cash and balances with central banks	54,911	—	37,586	—	—	321,469	413,966
Deposits with banks and non-bank financial institutions	44,107	5,807	—	—	—	—	49,914
Placements with and loans to banks and non-bank financial institutions	—	114,673	56,214	3,000	—	—	173,887
Financial assets held under resale agreements	—	44,710	—	—	—	—	44,710
Loans and advances to customers (Note (ii))	8,966	664,956	1,033,230	904,655	1,101,079	22,877	3,735,763
Financial investments							
— at fair value through profit or loss	—	20,845	38,343	10,366	8,720	230,159	308,433
— at amortised cost	1,278	67,717	298,265	364,790	192,731	112	924,893
— at fair value through other comprehensive income	23	37,111	83,895	313,298	118,185	402	552,914
— designated at fair value through other comprehensive income	—	—	—	—	—	3,478	3,478
Others	77,957	12,983	12,298	38,455	36	49,116	190,845
Total assets	187,242	968,802	1,559,831	1,634,564	1,420,751	627,613	6,398,803
Liabilities							
Borrowings from central banks	—	75,879	161,400	—	—	—	237,279
Deposits from banks and non-bank financial institutions	407,383	298,271	139,711	670	—	—	846,035
Placements from banks and non-bank financial institutions	—	21,682	33,401	4,634	—	—	59,717
Financial liabilities at fair value through profit or loss							
Financial assets sold under repurchase agreements	—	30,814	12,154	—	—	—	42,968
Deposits from customers	2,040,800	915,717	608,382	469,506	31	—	4,034,436
Debt securities issued	—	134,522	299,944	23,986	147,951	—	606,403
Lease liability	293	823	2,189	6,745	833	—	10,883
Others	49,214	5,757	10,839	7,296	4,361	11,657	89,124
Total liabilities	2,497,690	1,483,465	1,268,020	512,837	153,176	11,657	5,926,845
(Short)/long position	(2,310,448)	(514,663)	291,811	1,121,727	1,267,575	615,956	471,958

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities: (Continued)

	31 December 2018						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Assets							
Cash and balances with central banks	134,917	—	1,288	—	—	402,503	538,708
Deposits with banks and non-bank financial institutions	65,701	28,245	5,207	—	—	—	99,153
Placements with and loans to banks and non-bank financial institutions	—	129,317	46,843	—	—	—	176,160
Financial assets held under resale agreements	—	10,790	—	—	—	—	10,790
Loans and advances to customers (Note (ii))	7,117	585,723	952,830	910,098	1,022,976	36,906	3,515,650
Financial investments							
— at fair value through profit or loss	—	30,418	43,589	29,476	8,115	197,274	308,872
— at amortised cost	—	68,375	182,641	394,010	132,878	334	778,238
— at fair value through other comprehensive income	31	39,437	75,556	295,308	99,920	94	510,346
— designated at fair value through other comprehensive income	—	—	—	—	—	2,707	2,707
Others	34,630	17,382	12,238	28,655	180	33,005	126,090
Total assets	242,396	909,687	1,320,192	1,657,547	1,264,069	672,823	6,066,714
Liabilities							
Borrowings from central banks	80	68,350	218,000	—	—	—	286,430
Deposits from banks and non-bank financial institutions	319,576	236,910	225,607	171	—	—	782,264
Placements from banks and non-bank financial institutions	—	84,099	31,225	—	34	—	115,358
Financial liabilities at fair value through profit or loss	962	—	—	—	—	—	962
Financial assets sold under repurchase agreements	—	110,823	9,492	—	—	—	120,315
Deposits from customers	1,880,088	746,341	647,718	375,432	32	—	3,649,611
Debt securities issued	—	98,205	247,992	97,354	108,932	—	552,483
Others	50,170	16,677	16,827	6,554	4,419	11,558	106,205
Total liabilities	2,250,876	1,361,405	1,396,861	479,511	113,417	11,558	5,613,628
(Short)/long position	(2,008,480)	(451,718)	(76,669)	1,178,036	1,150,652	661,265	453,086

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow:

	30 June 2019						
	Repayable on demand	Within 3 months	Three months and one year	One and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	57,243	1,349	41,855	—	—	321,469	421,916
Deposits with banks and non-bank financial institutions	45,196	5,854	18	—	—	—	51,068
Placements with and loans to banks and non-bank financial institutions	—	115,049	57,561	3,248	—	—	175,858
Financial assets held under resale agreements	—	44,715	—	—	—	—	44,715
Loans and advances to customers(Note (ii))	22,991	710,348	1,140,869	1,214,717	1,689,239	64,197	4,842,361
Financial investments							
— at fair value through profit or loss	—	23,433	42,057	12,275	20,687	234,479	332,931
— at amortised cost	1,278	75,199	326,051	440,864	205,930	8,175	1,057,497
— at fair value through other comprehensive income	23	41,545	96,642	345,708	129,532	12,413	625,863
— designated at fair value through other comprehensive income	—	—	—	—	—	6,466	6,466
Others	77,957	12,983	12,298	38,455	36	49,116	190,845
Total assets	204,688	1,030,475	1,717,351	2,055,267	2,045,424	696,315	7,749,520
Liabilities							
Borrowings from central banks	—	75,879	169,220	—	—	—	245,099
Deposits from banks and non-bank financial institutions	726,753	735,437	430,030	16,103	—	—	1,908,323
Placements from banks and non-bank financial institutions	—	21,694	33,438	4,634	—	—	59,766
Financial assets sold under repurchase agreements	—	30,853	12,404	—	—	—	43,257
Deposits from customers	2,046,046	930,865	640,550	530,757	38	—	4,148,256
Debt securities issued	—	171,313	305,468	77,779	163,307	—	717,867
Lease liability	293	827	2,242	7,540	1,130	—	12,032
Others	49,214	5,757	10,842	7,296	4,361	11,657	89,127
Total liabilities	2,822,306	1,972,625	1,604,194	644,109	168,836	11,657	7,223,727
(Short)/long position	(2,617,618)	(942,150)	113,157	1,411,158	1,876,588	684,658	525,793
Derivative cash flow							
Derivative financial instrument settled on a net basis	—	47	59	316	1,151	(19)	1,554
Derivative financial instruments settled on a gross basis							
— cash inflow	—	729,291	775,894	172,675	20,509	—	1,698,369
— cash outflow	—	(732,312)	(775,468)	(172,584)	(20,501)	—	(1,700,865)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	31 December 2018						
	Repayable on demand	Within 3 months	Three months and one year	One and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	134,721	1,621	6,608	—	—	402,503	545,453
Deposits with banks and non-bank financial institutions	67,502	29,625	5,326	—	—	—	102,453
Placements with and loans to banks and non-bank financial institutions	—	134,633	57,838	—	—	—	192,471
Financial assets held under resale agreements	—	10,795	—	—	—	—	10,795
Loans and advances to customers (Note (ii))	8,797	620,238	1,042,464	1,197,180	1,536,250	40,738	4,445,667
Financial investments							
— at fair value through profit or loss	—	35,039	47,703	31,114	88,205	200,776	402,837
— at amortised cost	—	74,135	201,371	418,337	163,300	5,880	863,023
— at fair value through other comprehensive income	31	43,751	97,680	375,381	145,474	11,941	674,258
— designated at fair value through other comprehensive income	—	—	—	—	—	2,406	2,406
Others	34,630	17,381	12,239	28,655	180	33,275	126,360
Total assets	245,681	967,218	1,471,229	2,050,667	1,933,409	697,519	7,365,723
Liabilities							
Borrowings from central banks	80	64,769	226,130	—	—	—	290,979
Deposits from banks and non-bank financial institutions	573,392	662,179	485,918	31,575	—	—	1,753,064
Placements from banks and non-bank financial institutions	—	89,065	40,706	—	34	—	129,805
Financial liabilities at fair value through profit or loss	962	—	—	—	—	—	962
Financial assets sold under repurchase agreements	—	110,983	9,483	155	—	—	120,621
Deposits from customers	1,880,996	760,404	679,534	429,917	40	—	3,750,891
Debt securities issued	—	98,780	306,786	180,166	108,932	—	694,664
Others	50,171	16,677	16,827	6,554	4,419	11,558	106,206
Total liabilities	2,505,601	1,802,857	1,765,384	648,367	113,425	11,558	6,847,192
(Short)/long position	(2,259,920)	(835,639)	(294,155)	1,402,300	1,819,984	685,961	518,531
Derivative cash flow							
Derivative financial instrument settled on a net basis	—	(56)	44	128	23	—	139
Derivative financial instruments settled on a gross basis							
— cash inflow	—	1,194,286	1,244,844	48,220	—	—	2,487,350
— cash outflow	—	(802,726)	(1,243,629)	(48,151)	—	—	(2,094,506)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Credit Commitments include bank acceptances, credit card commitments, guarantees, loan commitments and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	30 June 2019			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank Acceptances	**381,943**	**—**	**—**	**381,943**
Credit Card Commitments	**496,459**	**6,526**	**—**	**502,985**
Guarantees	**88,116**	**57,588**	**121**	**145,825**
Loan Commitments	**11,394**	**14,668**	**12,805**	**38,867**
Letters of Credit	**91,586**	**2,218**	**—**	**93,804**
Total	**1,069,498**	**81,000**	**12,926**	**1,163,424**

	31 December 2018			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank Acceptances	393,851	—	—	393,851
Credit Card Commitments	427,681	6,909	—	434,590
Guarantees	83,905	68,354	6,554	158,813
Loan Commitments	7,033	15,578	17,418	40,029
Letters of Credit	90,634	2,290	—	92,924
Total	1,003,104	93,131	23,972	1,120,207

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For loans and advances to customers and investments, the undated period amount represented the balances being credit-impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

52 Financial risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

— by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

— through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

— promoting operational risk management culture throughout the organisation; building a team of operational risk management professionals. Through formal training and performance appraisal system in raising risk management awareness;

— strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure our staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

— backup systems and disaster recovery plans covering all the major activities, especially backoffice operations in order to minimise any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group's management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

53 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's management monitors the Group's and the Bank's capital adequacy regularly based on regulations issued by the CBIRC. From 1 January 2019 on, the Group calculates the default risk assets of the counterparties of derivatives in accordance with the Regulations on Measuring the Risk Assets of the Counterparties of Derivative Instruments promulgated by the CBIRC in 2018. The required information is filed with the CBIRC by the Group and the Bank semi-annually and quarterly, respectively.

(Amounts in millions of Renminbi unless otherwise stated)

53 Capital Adequacy Ratio (Continued)

From 1 January 2013, the Group commenced the computation of its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBIRC in the year of 2012. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

Under the "Regulation Governing Capital of Commercial Banks (provisional)", The Systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively, by the end of 2018. The Non-systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively, by the end of 2018. In addition, overseas subsidiaries and branches are directly regulated by the respective local banking regulators and the requirements of capital adequacy ratios differ by country. During the period, the Group has complied in full with all its externally imposed capital requirements.

The capital adequacy ratios calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach.

Relevant requirements promulgated by the CBIRC are listed as below.

	30 June 2019	31 December 2018
Core Tier-One capital adequacy ratio	**8.58%**	8.62%
Tier-One capital adequacy ratio	**9.35%**	9.43%
Capital adequacy ratio	**12.27%**	12.47%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Qualified portion of capital reserve and other equity instruments	**62,112**	58,977
Other comprehensive income	**5,426**	5,269
Surplus reserve	**34,450**	34,450
General reserve	**74,255**	74,255
Retained earnings	**196,872**	179,820
Qualified portion of non-controlling interests	**4,611**	4,422
Total core Tier-One capital	**426,661**	406,128
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(896)**	(896)
Other intangible assets other than land use right (net of related deferred tax liability)	**(1,736)**	(1,878)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	**—**	—
Net core Tier-One capital	**424,029**	403,354
Other Tier-One capital (Note (i))	**37,619**	37,768
Tier-One capital	**461,648**	441,122
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**100,124**	104,515
Surplus allowance for loan impairment	**42,871**	37,122
Qualified portion of non-controlling interests	**1,253**	634
Net capital base	**605,896**	583,393
Total risk-weighted assets	**4,940,007**	4,677,713

Note:

(i) As at 30 June 2019, the Group's other Tier-One capital included other equity instruments issued by the Bank (Note 40) and non-controlling interests (Note 46).

54 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the evaluation results provided by China Central Depository & Clearing Corporate Limited. This level also includes partial bills rediscounting and forfeiting in loans and advances, partial Investment management products managed by securities companies and Trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the evaluation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, Investment management products managed by securities companies and Trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

Level 3: inputs for assets or liabilities are based on unobservable parameters. This level includes equity instruments and debt instruments with one or more than one significant unobservable parameters. Management determine the fair value through inquiring from counterparties or using the valuation techniques. The model incorporate unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the fair valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the period ended 30 June 2019, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include Cash and balances with central banks, Deposits with banks and non-bank financial institutions, Placements with and loans to banks and non-bank financial institutions, Financial assets held under resale agreements, Loans and advances to customers at amortised cost, Financial investments at amortised cost, Held-to-maturity investments, Investments classified as receivables, Borrowings from central banks, Deposits from banks and non-bank financial institutions, Placements from banks and non-bank financial institutions, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		**Fair values**	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
Financial assets:				
Financial investment at amortised cost	**924,893**	778,238	**925,308**	778,779
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**2,776**	2,813	**2,761**	2,752
— debt securities issued	**80,971**	82,091	**81,507**	80,625
— subordinated bonds issued	**127,866**	126,269	**129,997**	126,041
— certificates of interbank deposit issued	**357,587**	341,310	**358,034**	335,475
— convertible corporate bonds issued	**37,203**	—	**38,263**	—

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value (Continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	30 June 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investment at amortised cost	**2,142**	**640,521**	**282,645**	**925,308**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	—	**2,761**	—	**2,761**
— debt securities issued	—	**81,507**	—	**81,507**
— subordinated bonds issued	**5,716**	**124,281**	—	**129,997**
— certificates of interbank deposit issued	—	**358,034**	—	**358,034**
— convertible corporate bonds issued	—	**38,263**	—	**38,263**

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investment at amortised cost	2,109	501,890	274,780	778,779
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	—	2,752	—	2,752
— debt securities issued	—	80,625	—	80,625
— subordinated bonds issued	5,642	120,399	—	126,041
— certificates of interbank deposit issued	—	335,475	—	335,475

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 30 June 2019				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	—	150	—	150
— discounted bills	—	246,177	—	246,177
Financial investments at fair value through profit or loss				
— debt securities	2,992	47,736	9,757	60,485
— investment funds	8,105	208,716	5,773	222,594
— certificates of deposit	—	20,211	—	20,211
— wealth management products	—	—	123	123
— equity instruments	1,104	501	3,398	5,003
— trust investment plans	—	—	17	17
Financial investments at fair value through other comprehensive income				
— debt securities	76,427	442,641	20,738	539,806
— certificates of deposit	682	5,723	—	6,405
Financial investments designated at fair value through other comprehensive income				
— equity instruments	312	—	3,166	3,478
Derivative financial assets				
— interest rate derivatives	4	6,105	—	6,109
— currency derivatives	—	11,922	1	11,923
— precious metals derivatives	—	590	—	590
— credit derivatives	—	4	—	4
Total financial assets measured at fair value	89,626	990,476	42,973	1,123,075
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	—	—	—	—
Derivative financial liabilities				
— interest rate derivatives	10	6,042	—	6,052
— currency derivatives	—	11,457	1	11,458
— precious metals derivatives	—	1,280	—	1,280
— credit derivatives	—	1	—	1
Total financial liabilities measured at fair value	10	18,780	1	18,791

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2018				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	—	137	—	137
— discounted bills	—	96,383	—	96,383
Financial investments at fair value through profit or loss				
— debt securities	2,815	62,319	6,786	71,920
— investment funds	4,879	178,451	5,846	189,176
— certificates of deposit	—	16,713	—	16,713
— wealth management products	—	—	116	116
— equity instruments	540	—	3,921	4,461
— trust investment plans	—	—	26,486	26,486
Financial investments at fair value through other comprehensive income				
— debt securities	64,506	421,783	4,726	491,015
— certificates of deposit	662	11,982	—	12,644
Financial investments designated at fair value through other comprehensive income				
— equity instruments	295	—	2,412	2,707
Derivative financial assets				
— interest rate derivatives	8	6,098	—	6,106
— currency derivatives	—	24,825	1	24,826
— precious metals derivatives	—	1,048	—	1,048
— credit derivatives	—	11	—	11
Total financial assets measured at fair value	73,705	819,750	50,294	943,749
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	962	—	—	962
Derivative financial liabilities				
— interest rate derivatives	12	5,962	—	5,974
— currency derivatives	—	24,500	1	24,501
— precious metals derivatives	—	1,170	—	1,170
— commodity derivatives	—	1	—	1
Total financial liabilities measured at fair value	974	31,633	1	32,608

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

Notes:

(i) During the current year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets					Liabilities	
	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**	**Financial assets designated at fair value through other comprehensive income**	**Derivative financial assets**	**Total**	**Derivative financial liabilities**	**Total**
As at 31 December 2018	**43,155**	**4,726**	**2,412**	**1**	**50,294**	**(1)**	**(1)**
Total gains or losses							
— in profit or loss	**(85)**	**(150)**	**—**	**(1)**	**(236)**	**1**	**1**
— in comprehensive income	**—**	**180**	**27**	**—**	**207**	**—**	**—**
Purchase	**7,615**	**18,062**	**727**	**—**	**26,404**	**—**	**—**
Settlements	**(31,600)**	**(2,080)**	**—**	**1**	**(33,679)**	**(1)**	**(1)**
Transfer in/out	**(15)**	**—**	**—**	**—**	**(15)**	**—**	**—**
Exchange effect	**(2)**	**—**	**—**	**—**	**(2)**	**—**	**—**
As at 30 June 2019	**19,068**	**20,738**	**3,166**	**1**	**42,973**	**(1)**	**(1)**

	Assets					Liabilities	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets designated at fair value through other comprehensive income	Derivative financial assets	Total	Derivative financial liabilities	Total
As at 1 January 2018	45,535	4,850	237	1	50,623	(1)	(1)
Total gains or losses							
— in profit or loss	194	(40)	—	1	155	(1)	(1)
— in comprehensive income	—	102	(9)	—	93	—	—
Purchase	8,549	1,700	2,185	—	12,434	—	—
Settlements	(11,105)	(1,926)	—	(1)	(13,032)	1	1
Transfer in/out	—	39	—	—	39	—	—
Exchange effect	(18)	1	(1)	—	(18)	—	—
As at 31 December 2018	43,155	4,726	2,412	1	50,294	(1)	(1)

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Corporation Limited (incorporated in Mainland China), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in Mainland China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC Corporation Limited and CITIC Group. The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business. These transactions are eliminated on consolidation.

The Bank issued 2,147,469,539 shares to CNTC through private placement on 31 December 2015, representing 4.39% shares of the Bank. A non-executive director designated by CNTC was appointed on 17 March 2016, and the appointment was approved by the CBIRC on 24 June 2016. CNTC is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

In February 2015, Xinhu Zhongbao Co., Ltd. acquired 2,292,579,000 H shares of the Bank through its wholly owned subsidiary, representing 4.68% shares of the Bank. A non-executive director designated by Xinhu Zhongbao Co., Ltd. was appointed on 17 March 2016, and the appointment was approved by the CBRC on 16 November 2016. Xinhu Zhongbao Co., Ltd. is thereafter regarded as the Group's related party, as it has significant influence upon the Bank. On 29 November 2016, Xinhu Zhongbao Co., Ltd., increased its shareholding to 2,320,177,000 H shares of the Bank through its wholly owned subsidiary, representing 4.74% shares of the Bank. In October 2017, Xinhu Zhongbao Co., Ltd. increased its shareholding to 2,446,265,000 H shares of the Bank through its wholly owned subsidiary, representing 4.999% shares of the Bank.

Poly Group acquired 27,216,400 A shares of the Bank through the secondary market, representing 0.06% shares of the Bank. A non-executive director designated by Poly Group was appointed on 25 May 2018. Poly Group is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2019		
	Ultimate holding company and affiliates	**Other major equity holders and subsidiaries**	**Associates and joint ventures**
Profit and loss			
Interest income	**694**	**381**	**8**
Fee and commission income and other operating income/expense	**841**	**17**	**—**
Interest expense	**(347)**	**(386)**	**(21)**
Net trading gain	**50**	**—**	**—**
Other service fees	**(689)**	**—**	**—**

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	Six months ended 30 June 2018 Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates
Profit and loss			
Interest income	201	97	—
Fee and commission income and other operating income/expense	695	—	—
Interest expense	(711)	(237)	(6)
Net trading gain/(loss)	1,589	—	(222)
Other service fees	(653)	—	—

	30 June 2019 **Ultimate holding company and affiliates**	**Other major equity holders and subsidiaries**	**Associates and joint ventures**
Assets			
Gross loans and advances to customers	**31,990**	**19,243**	**—**
Less: allowance for impairment losses on loans and advances	**(325)**	**(163)**	**—**
Loans and advances to customers (net)	**31,665**	**19,080**	**—**
Deposits with banks and non-bank financial institutions	**—**	**—**	**5,508**
Placements with and loans to banks and non-bank financial institutions	**6,489**	**—**	**—**
Derivative financial assets	**206**	**—**	**—**
Financial assets held under resale agreements	**965**	**—**	**—**
Financial investments			
— at fair value through profit or loss	**1,050**	**—**	**—**
— at amortised cost	**2,624**	**—**	**—**
— at fair value through other comprehensive income	**968**	**1,754**	**—**
— designated at fair value through other comprehensive income	**256**	**—**	**—**
Investments in associates and joint ventures	**—**	**—**	**3,672**
Right-of-use assets	**76**	**7**	**—**
Other assets	**10,447**	**—**	**—**
Liabilities			
Deposits from banks and non-bank financial institutions	**26,659**	**1,072**	**263**
Derivative financial liabilities	**350**	**—**	**—**
Deposits from customers	**53,581**	**69,727**	**316**
Accrued staff costs	**2**	**—**	**—**
Lease liabilities	**72**	**6**	**—**
Other liabilities	**990**	**1**	**—**
Off-balance sheet items			
Guarantees and letters of credit	**1,885**	**546**	**—**
Acceptances	**166**	**4**	**—**
Entrusted funds	**56,378**	**4,444**	**—**
Entrusted loans	**13,480**	**9,740**	**—**
Funds raised from investors of non-principle guaranteed wealth management products	**2,153**	**—**	**—**
Guarantees received	**58,819**	**8,703**	**—**
Nominal amount of derivative financial instruments	**55,513**	**—**	**—**

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	31 December 2018		
	Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates and joint ventures
Assets			
Gross loans and advances to customers	10,645	14,363	—
Less: allowance for impairment losses on loans and advances	(258)	(417)	—
Loans and advances to customers (net)	10,387	13,946	—
Deposits with banks and non-bank financial institutions	—	—	5,364
Placements with and loans to banks and non-bank financial institutions	1,547	—	—
Derivative financial assets	60	—	—
Financial investments			
— at fair value through profit or loss	310	—	—
— at amortised cost	4,258	4,318	—
Investments in associates and joint ventures	—	—	3,881
Other assets	10,941	—	—
Liabilities			
Deposits from banks and non-bank financial institutions	25,710	178	1,201
Placements from banks and non-bank financial institutions	2,503	—	—
Derivative financial liabilities	24	—	—
Deposits from customers	37,496	41,756	17
Other liabilities	1,222	—	—
Off-balance sheet items			
Guarantees and letters of credit	1,828	452	—
Acceptances	72	—	—
Entrusted funds	45,729	6,641	—
Entrusted loans	18,514	12,540	—
Funds raised from investors of non-principle guaranteed wealth management products	707	—	—
Guarantees received	52,986	9,638	—
Nominal amount of derivatives financial instruments	7,950	—	—

55 Related parties (Continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

There is no relevant loans outstanding as at 30 June 2019 to directors, supervisors and executive officers (as at 31 December 2018: RMB0.40 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the six months ended 30 June 2019 amounted to RMB11.91 million (Six months ended 30 June 2018: RMB11.85 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 34(b)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as “state-owned entities”).

Transactions with state-owned entities, including CNTC’s indirect subsidiaries and Poly Group’s indirect subsidiaries, include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— derivative transactions;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group’s banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

(Amounts in millions of Renminbi unless otherwise stated)

56 Structured entities

(a) Unconsolidated structured entities held by the Group

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2019 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated interim statement of financial position under which relevant assets are recognised:

	30 June 2019				
	Carrying amount				Maximum loss exposure
	Investments in financial assets at fair value through profit or loss	Investments in financial assets at amortised costs	Investments in financial assets at fair value through other comprehensive income	Total	
Wealth management product of other banks	**123**	**—**	**—**	**123**	**123**
Investment management products managed by securities companies	**—**	**343,775**	**—**	**343,775**	**343,775**
Trust investment plans	**17**	**158,129**	**—**	**158,146**	**158,146**
Asset-backed securities	**872**	**43,165**	**93,695**	**137,732**	**137,732**
Investment funds	**222,594**	**—**	**—**	**222,594**	**222,594**
Total	**223,606**	**545,069**	**93,695**	**862,370**	**862,370**

	31 December 2018				
	Carrying amount				Maximum loss exposure
	Investments in financial assets at fair value through profit or loss	Investments in financial assets at amortised costs	Investments in financial assets at fair value through other comprehensive income	Total	
Wealth management product of other banks	116	—	—	116	116
Investment management products managed by securities companies	—	228,502	—	228,502	228,502
Trust investment plans	26,486	151,582	—	178,068	178,068
Asset-backed securities	1,289	39,846	61,994	103,129	103,129
Investment funds	189,176	—	—	189,176	189,176
Total	217,067	419,930	61,994	698,991	698,991

The maximum exposures to risk in the above wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities managed by securities companies and trust investment funds are the carrying value of the assets held by the Group at the reporting date. The maximum exposures to risk in the asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items under which these assets are presented in the consolidated interim statement of financial position.

56 Structured entities (Continued)

(b) Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

As at 30 June 2019, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,099,180 million (31 December 2018: RMB1,058,907 million).

During the six months ended 30 June 2019, the Group's interest in these wealth management products included fee and commission income of RMB1,925 million (Six months ended 30 June 2018: RMB601 million); interest income of RMB612 million (Six months ended 30 June 2018: RMB1,304 million) and interest expense of RMB399 million (Six months ended 30 June 2018: RMB276 million).

As at 30 June 2019, the placements from the Group with these wealth management products sponsored by the Group amounted to RMB43,500 million (31 December 2018: RMB63,500 million), while the placements from these wealth management products to the Group of RMB1,140 million (31 December 2018: 44,605 million). During the six months ended 30 June 2019, the amount of maximum exposure of the placements from the Group with these wealth management products sponsored by the Group was RMB69,019 million (31 December 2018: RMB68,144 million), while the placements from these wealth management products to the Group was RMB9,389 million (31 December 2018: RMB13,435 million). These transactions were conducted under normal business terms and conditions.

As at 30 June 2019, assets of these wealth management products amounting to RMB209,449 million (31 December 2018: RMB198,892 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

(c) Principal guaranteed wealth management products sponsored and managed by the Group

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial assets and financial liabilities items in accordance with the Group's accounting policies based on the nature of the assets and liabilities.

57 Transfers of financial assets

The Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 32. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the six months ended 30 June 2019 totalled RMB34,951 million (Six months ended 30 June 2018: RMB163,421 million) are set forth below.

57 Transfers of financial assets (Continued)

Securitisation transactions and structured transfers on assets usufruct

During the six months ended 30 June 2019, the Group, through securitisation and by restructuring the rights to receive cash flows, transferred financial assets at the original cost of RMB30,487 million (Six months ended 30 June 2018: RMB149,269 million). Of which, due to its continuing involvement, the Group continues to recognise RMB1,894 million (Six months ended 30 June 2018: Nil) of the credit assets transferred at the original cost of RMB16,487 million (Six months ended 30 June 2018: RMB126,969 million), and the rest of transferred assets have been derecognized.

Loan transfers

During the six months ended 30 June 2019, the Group also transferred loans of book value before impairment of RMB4,464 million through other types of transactions (Six months ended 30 June 2018: RMB14,152 million), of which RMB4,464 million represented non-performing loans (Six months ended 30 June 2018: RMB14,152 million). The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition.

58 Offsetting financial assets and financial liabilities

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

As at 30 June 2019, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank

Statement of financial position

	30 June 2019	31 December 2018
Assets		
Cash and balances with central banks	**412,575**	533,393
Deposits with banks and non-bank financial institutions	**39,196**	78,758
Precious metals	**10,358**	4,988
Placements with and loans to banks and non-bank financial institutions	**140,010**	144,364
Derivative financial assets	**14,392**	26,571
Financial assets held under resale agreements	**44,710**	10,790
Loans and advances to customers	**3,508,774**	3,285,963
Financial investments	**1,715,422**	1,523,017
— at fair value through profit or loss	**296,046**	293,542
— assets at amortised cost	**924,536**	777,883
— at fair value through other comprehensive income	**491,844**	449,350
— designated at fair value through other comprehensive income	**2,996**	2,242
Investments in subsidiaries and joint ventures	**25,108**	25,008
Property, plant and equipment	**20,764**	20,956
Right-of-use asset	**11,731**	—
Intangible assets	**1,195**	1,301
Deferred tax assets	**26,246**	22,458
Other assets	**89,215**	33,108
Total assets	**6,059,696**	5,710,675
Liabilities		
Borrowings from central banks	**237,209**	286,350
Deposits from banks and non-bank financial institutions	**851,986**	782,768
Placements from banks and non-bank financial institutions	**14,093**	71,482
Financial liabilities at fair value through profit or loss	**—**	962
Derivative financial liabilities	**14,340**	25,784
Financial assets sold under repurchase agreements	**42,968**	120,095
Deposits from customers	**3,792,526**	3,397,318
Accrued staff costs	**8,162**	9,508
Taxes payable	**4,669**	4,086
Debt securities issued	**595,049**	541,053
Lease liability	**10,136**	—
Provisions	**4,517**	4,944
Other liabilities	**43,632**	44,800
Total liabilities	**5,619,287**	5,289,150
Equity		
Share capital	**48,935**	48,935
Other equity instruments	**38,090**	34,955
Capital reserve	**61,359**	61,359
Other comprehensive income	**5,159**	5,167
Surplus reserve	**34,450**	34,450
General reserve	**73,370**	73,370
Retained earnings	**179,046**	163,289
Total equity	**440,409**	421,525
Total liabilities and equity	**6,059,696**	5,710,675

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2018/1 January 2019	48,935	34,955	61,359	5,167	34,450	73,370	163,289	421,525
(i) Profit for the period	—	—	—	—	—	—	27,012	27,012
(ii) Other comprehensive income	—	—	—	(8)	—	—	—	(8)
Total comprehensive income	—	—	—	(8)	—	—	27,012	27,004
(iii) Issuing of other equity instruments								
— Convertible corporate bonds	—	3,135	—	—	—	—	—	3,135
(iv) Profit appropriations								
— Dividend distribution to ordinary shareholders of the Bank	—	—	—	—	—	—	(11,255)	(11,255)
As at 30 June 2019	48,935	38,090	61,359	5,159	34,450	73,370	179,046	440,409

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2017	48,935	34,955	61,359	(9,782)	31,183	73,370	147,982	388,002
Change in accounting policy	—	—	—	4,478	(939)	—	(8,442)	(4,903)
As at 1 January 2018	48,935	34,955	61,359	(5,304)	30,244	73,370	139,540	383,099
(i) Profit for the period	—	—	—	—	—	—	24,191	24,191
(ii) Other comprehensive income	—	—	—	4,062	—	—	—	4,062
Total comprehensive income	—	—	—	4,062	—	—	24,191	28,253
(iii) Profit appropriations								
— Dividend distribution to ordinary shareholders of the Bank	—	—	—	—	—	—	(12,772)	(12,772)
As at 30 June 2018	48,935	34,955	61,359	(1,242)	30,244	73,370	150,959	398,580

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2017	48,935	34,955	61,359	(9,782)	31,183	73,370	147,982	388,002
Changes in accounting policy	—	—	—	4,478	(939)	—	(8,442)	(4,903)
As at 1 January 2018	48,935	34,955	61,359	(5,304)	30,244	73,370	139,540	383,099
(i) Net profit	—	—	—	—	—	—	42,057	42,057
(ii) Other comprehensive income	—	—	—	10,471	—	—	—	10,471
Total comprehensive income	—	—	—	10,471	—	—	42,057	52,528
(iii) Profit appropriations								
— Appropriations to surplus reserve	—	—	—	—	4,206	—	(4,206)	—
— Dividend distribution to ordinary shareholders of the bank	—	—	—	—	—	—	(12,772)	(12,772)
— Dividend distribution to preference shareholders of the bank	—	—	—	—	—	—	(1,330)	(1,330)
As at 31 December 2018	48,935	34,955	61,359	5,167	34,450	73,370	163,289	421,525

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated interim financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated interim financial statements for the six months ended 30 June 2019 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

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

2 Liquidity coverage ratio

	30 June 2019	31 December 2018
Liquidity coverage ratio	**132.23%**	114.33%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

3 Currency concentrations

	30 June 2019			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**307,330**	**161,039**	**44,886**	**513,255**
Spot liabilities	**(265,383)**	**(149,381)**	**(40,640)**	**(455,404)**
Forward purchases	**1,065,426**	**235,742**	**12,190**	**1,313,358**
Forward sales	**(1,082,353)**	**(215,643)**	**(26,088)**	**(1,324,084)**
Options	**(1,057)**	**(7)**	**(60)**	**(1,124)**
Net long position	**23,963**	**31,750**	**(9,712)**	**46,001**

	31 December 2018			
	US Dollars	HK Dollars	Others	Total
Spot assets	291,086	143,406	33,019	467,511
Spot liabilities	276,119	147,045	(4,303)	418,861
Forward purchases	1,240,838	194,757	53,275	1,488,870
Forward sales	(1,256,218)	(172,554)	(67,729)	(1,496,501)
Options	(23,481)	2	193	(23,286)
Net long position	528,344	312,656	14,455	855,455

(Expressed in millions of Renminbi unless otherwise stated)

4 International claims

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2019			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**36,118**	**305**	**63,525**	**99,948**
— of which attributed to Hong Kong	**7,243**	**299**	**55,696**	**63,238**
Europe	**4,557**	**3**	**13,450**	**18,010**
North and South America	**23,068**	**45,260**	**63,106**	**131,434**
Africa	**—**	**—**	**—**	**—**
Total	**63,743**	**45,568**	**140,081**	**249,392**

	31 December 2018			
	Banks	Official sector	Non-bank private sector	Total
Asia Pacific excluding Mainland China	25,970	314	63,854	90,138
— of which attributed to Hong Kong	16,335	307	56,098	72,740
Europe	6,025	3	12,350	18,378
North and South America	25,623	41,616	65,373	132,612
Africa	186	—	—	186
Total	57,804	41,933	141,577	241,314

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	30 June 2019 Gross loans and advances	Loans and advances overdue over 3 months	Credit-impaired loans
Bohai Rim (include Head Office)	**1,151,105**	**24,092**	**373,940**
Yangtze River Delta	**880,884**	**6,819**	**563,285**
Pearl River Delta and West Strait	**581,561**	**9,427**	**318,673**
Central	**507,311**	**6,473**	**326,123**
Western	**467,198**	**6,956**	**315,314**
Northeastern	**73,825**	**3,817**	**48,497**
Outside Mainland China	**173,992**	**1,128**	**1,201**
Accrued interest	**8,920**	**—**	**—**
Total	**3,844,796**	**58,712**	**1,947,033**

	31 December 2018 Gross loans and advances	Loans and advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	1,123,293	23,325	25,738
Yangtze River Delta	784,722	8,582	9,193
Pearl River Delta and West Strait	549,491	7,506	7,729
Central	463,100	7,994	8,565
Western	433,143	6,475	7,638
Northeastern	75,682	4,903	5,083
Outside Mainland China	178,981	384	1,470
Accrued interest	8,338	—	—
Total	3,616,750	59,169	65,416

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

	30 June 2019	31 December 2018
Gross amounts due from banks and other financial institutions which have been overdue	**—**	1
As a percentage of total gross amounts due from banks and other financial institutions	**—**	0.00036%

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross amount of overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (Continued)

(b) Gross amounts of overdue loans and advances to customers

	30 June 2019	31 December 2018
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**14,470**	13,181
— between 6 and 12 months	**21,399**	20,011
— over 12 months	**22,862**	25,977
Total	**58,731**	59,169
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.38%**	0.37%
— between 6 and 12 months	**0.56%**	0.55%
— over 12 months	**0.59%**	0.72%
Total	**1.53%**	1.64%

The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

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

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

As at 30 June 2019, the loans and advances to customers of RMB43,828 million of the above overdue loans and advances were credit-impaired. (As at 31 December 2018, loans and advances to customers of RMB46,908 million were subjected to individual assessment for impairment)

Loans and advances to customers overdue for more than 3 months :

	30 June 2019	31 December 2018
Secured portion	**27,916**	31,690
Unsecured portion	**15,912**	15,218
Total	**43,828**	46,908
Allowance for impairment losses	**(31,238)**	(28,026)
Net balance	**12,590**	18,882
Maximum exposure covered by pledge and collateral held	**27,199**	29,187

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

7 Non-bank Mainland China exposures

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

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