ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398
USD Preference Shares Stock Code: 4603
EUR Preference Shares Stock Code: 4604
RMB Preference Shares Stock Code: 84602

2019 Interim Report

Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to 7,628 thousand corporate customers and 627 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of promoting inclusive finance, supporting targeted poverty relief, protecting environment and resources and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a world-class and modern financial enterprise with global competitiveness. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the strategy of mega retail, mega asset management, mega investment banking as well as international and comprehensive development, and actively embraces the internet. The Bank unswervingly delivers specialized services, and seeks talent-oriented business development, thus making it "a craftsman in large banking".

The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, ranked 1st place in the Global 2000 listed by *Forbes* and topped the sub-list of commercial banks of the Global 500 in *Fortune* for the seventh consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the third consecutive year.

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Definitions

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

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the former CBRC in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
Former CBRC	Former China Banking Regulatory Commission
HKEX	Hong Kong Exchange and Clearing Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Austria)	ICBC Austria Bank GmbH
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Ltd.
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC Technology	ICBC Information and Technology Co., Ltd.
ICBC Wealth Management	ICBC Wealth Management Co., Ltd.
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
MOF	Ministry of Finance of the People's Republic of China

New Financial Instrument Standards	International Financial Reporting Standard 9 — Financial Instruments that was promulgated by International Accounting Standards Board and became effective on 1 January 2018 as well as Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 — Hedging and Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments that were promulgated by MOF and became effective on 1 January 2018
New Rules on Asset Management	The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly promulgated by PBC, CBIRC, CSRC and State Administration of Foreign Exchange in 2018 and relevant rules
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by MOF
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
The Bank/The Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2019 Interim Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 29 August 2019. There were 15 directors eligible for attending the meeting, of whom 13 directors attended the meeting in person and 2 directors by proxy, namely, Mr. Fred Zuliu Hu appointed Mr. Anthony Francis Neoh to attend the meeting and exercise the voting right on his behalf, and Mr. Dong Shi appointed Mr. Ye Donghai to attend the meeting and exercise the voting right on his behalf.

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

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

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

29 August 2019

Mr. Chen Siqing, Legal Representative of the Bank, Mr. Gu Shu, President in charge of finance of the Bank, and Mr. Zhang Wenwu, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in the Interim Report are authentic, accurate and complete.

The report contains forward-looking statements on the Bank's financial position, business performance and development. The statements are based on existing plans, estimates and forecasts, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

The Bank is primarily exposed to credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

(This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.)

Corporate Information

Legal name in Chinese
中國工商銀行股份有限公司(「中國工商銀行」)

Legal name in English
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED ("ICBC")

Legal Representative
Chen Siqing

Registered address and office address
No.55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100140
Telephone: 86-10-66106114
Business enquiry and complaint hotline: 86-95588
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong
33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong

Authorized Representatives
Gu Shu and Guan Xueqing

Board Secretary and Company Secretary
Guan Xueqing
Address: No.55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
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Selected media for information disclosure
China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publication of the interim report in respect of A shares
www.sse.com.cn

The "HKEXnews" website of HKEX for publication of the interim report in respect of H shares
www.hkexnews.hk

Legal Advisors
Mainland China
King & Wood Mallesons
17–18/F, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Haiwen & Partners
20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong, China
Allen & Overy
9/F, Three Exchange Square, Central, Hong Kong

Linklaters
10/F, Alexandra House, Chater Road, Central, Hong Kong

Share Registrars
A Share
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
3/F China Insurance Building, 166 Lujiazui Dong Road, Pudong New Area, Shanghai, China
Telephone: 86-4008058058

H Share
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: 852-28628555
Facsimile: 852-28650990

Location where copies of this interim report are kept
Board of Directors' Office of the Bank

Place where shares are listed, and their names and codes
A Share
Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Offshore Preference Share
The Stock Exchange of Hong Kong Limited
Stock name: ICBC USDPREF1
Stock code: 4603

Stock name: ICBC EURPREF1
Stock code: 4604

Stock name: ICBC CNHPREF1-R
Stock code: 84602

Domestic Preference Share
Shanghai Stock Exchange
Stock name: 工行優1
Stock code: 360011

Name and office address of Auditors
Domestic Auditors
KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, China
CPAs (Practicing): Li Li and He Qi

International Auditors
KPMG
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Financial Highlights

(Financial data and indicators in this Interim Report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2017
Operating results (in RMB millions)			
Net interest income	299,301	277,616	250,922
Net fee and commission income	88,501	79,260	76,670
Operating income	394,203	361,302	336,739
Operating expenses	87,154	81,958	80,270
Impairment losses on assets	99,180	83,458	61,343
Operating profit	207,869	195,886	195,126
Profit before taxation	209,209	197,216	196,498
Net profit	168,690	160,657	153,687
Net profit attributable to equity holders of the parent company	167,931	160,442	152,995
Net cash flows from operating activities	1,004,798	186,532	346,542
Per share data (in RMB yuan)			
Basic earnings per share	0.47	0.45	0.43
Diluted earnings per share	0.47	0.45	0.43

Financial Data (continued)

	30 June 2019	31 December 2018	31 December 2017
Assets and liabilities (in RMB millions)			
Total assets	29,990,476	27,699,540	26,087,043
Total loans and advances to customers	16,271,224	15,419,905	14,233,448
Corporate loans	9,906,046	9,418,894	8,936,864
Personal loans	6,038,357	5,636,574	4,945,458
Discounted bills	326,821	364,437	351,126
Allowance for impairment losses on loans[(1)]	461,016	413,177	340,482
Investment	7,219,097	6,754,692	5,756,704
Total liabilities	27,561,581	25,354,657	23,945,987
Due to customers	23,125,437	21,408,934	19,562,936
Corporate deposits	12,405,595	11,481,141	10,705,465
Personal deposits	10,272,827	9,436,418	8,568,917
Other deposits	216,917	268,914	288,554
Accrued interest	230,098	222,461	—
Due to banks and other financial institutions	2,184,550	1,814,495	1,706,549
Equity attributable to equity holders of the parent company	2,413,376	2,330,001	2,127,491
Share capital	356,407	356,407	356,407
Net asset value per share[(2)] (in RMB yuan)	6.53	6.30	5.73
Net core tier 1 capital[(3)]	2,315,462	2,232,033	2,030,108
Net tier 1 capital[(3)]	2,395,570	2,312,143	2,110,060
Net capital base[(3)]	2,861,532	2,644,885	2,406,920
Risk-weighted assets[(3)]	18,167,672	17,190,992	15,902,801
Credit rating			
S&P[(4)]	A	A	A
Moody's[(4)]	A1	A1	A1

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

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

(3) Calculated in accordance with the Capital Regulation.

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

Financial Indicators

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

Notes: * indicates annualised ratios.

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

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

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

(5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expense (less taxes and surcharges) by operating income.

(7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.

(9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.

(10) Calculated in accordance with the Capital Regulation.

Overview of Business Operation

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

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

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

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

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

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

In the first half of 2019, developed economies showed weakening momentum for growth, while emerging market economies grew at a faltering pace. International financial markets witnessed continuously fluctuated US dollar index, generally depreciated currencies of emerging markets, ascending stock markets of major economies, and slightly decreasing interest rates in the global money market overall.

The Chinese economy continuously operated within a reasonable range, and maintained stability on the whole while making progress. China's gross domestic product (GDP), consumer price index (CPI), retail sales of consumer goods, fixed asset investment, industrial added value of above-scale enterprises, and total imports and exports rose by 6.3%, 2.2%, 8.4%, 5.8%, 6.0% and 3.9% respectively in the first half of the year.

The PBC continued to implement a prudent monetary policy. It maintained a reasonable abundance of liquidity and led the money market interest rates running stably by flexibly applying diversified monetary policy instruments such as the reserve requirement ratio (RRR), medium-term lending facilities (MLF), standing lending facilities (SLF) and open market operation. It gave a full play to the roles of re-lending, rediscounting, targeted RRR cut, targeted MLF and other instruments, in an effort to improve the credit structure and guide financial institutions in stepping up credit support for the real economy. Furthermore, the PBC continued to push forward the interest rate liberalization reform, promoted the combination of benchmark interest rate and market interest rate of loans, and improved the mechanism of generating, regulating and adopting market-based interest rates.

Both monetary credit and social financing expanded on a steady footing. At the end of June 2019, the balance of broad money (M2) was RMB192.14 trillion, up 8.5% as compared to the same period of last year. The outstanding RMB loans reached RMB145.97 trillion, increasing by 13.0% as compared to the same period of last year. The balance of RMB deposits amounted to RMB187.57 trillion, up 8.4% as compared to the same period of last year. The existing social financing scale size stood at RMB213.26 trillion, up 10.9% as compared to the same period of last year. The stock market indexes rose, with an increase of 19.4% and 26.8% in the Shanghai Composite Index and the Shenzhen Component Index respectively as compared to the end of last year. The total issuance amount of various bonds in the bond market reached RMB21.4 trillion, representing an increase of 6.0% as compared to the same period of last year. At the end of June, the central parity of RMB against US dollar reported 6.8747, a depreciation of 0.17% from the end of last year.

The asset scale of the Chinese banking sector grew steadily, with the quality of credit assets remaining stable overall. At the end of June 2019, the RMB and foreign-currency assets of financial institutions in China's banking sector were RMB281.58 trillion, up 8.2% compared with the same period of last year. The balance of NPLs of commercial banks reached RMB2.24 trillion, with a NPL ratio of 1.81% and allowance to NPLs of 190.61%. Besides, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 10.71%, 11.40% and 14.12%, respectively.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

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

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2019	Six months ended 30 June 2018	Increase/ (decrease)	Growth rate (%)
Net interest income	299,301	277,616	21,685	7.8
Non-interest income	94,902	83,686	11,216	13.4
Operating income	394,203	361,302	32,901	9.1
Less: Operating expenses	87,154	81,958	5,196	6.3
Less: Impairment losses on assets	99,180	83,458	15,722	18.8
Operating profit	207,869	195,886	11,983	6.1
Share of profits of associates and joint ventures	1,340	1,330	10	0.8
Profit before taxation	209,209	197,216	11,993	6.1
Less: Income tax expense	40,519	36,559	3,960	10.8
Net profit	168,690	160,657	8,033	5.0
Attributable to: Equity holders of the parent company	167,931	160,442	7,489	4.7
Non-controlling interests	759	215	544	253.0

Net Interest Income

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

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	15,565,865	347,076	4.50	14,354,420	308,525	4.33
Investment	5,959,219	107,102	3.62	5,313,645	96,174	3.65
Due from central banks(2)	2,987,287	22,923	1.55	3,153,941	24,495	1.57
Due from banks and other financial institutions(3)	1,861,237	31,056	3.36	1,515,512	27,613	3.67
Total interest-generating assets	**26,373,608**	**508,157**	**3.89**	**24,337,518**	**456,807**	**3.79**
Non-interest-generating assets	2,801,819			2,288,134		
Allowance for impairment losses on assets	(449,670)			(378,758)		
Total assets	**28,725,757**			**26,246,894**		
Liabilities						
Deposits	20,298,590	158,304	1.57	18,959,576	134,025	1.43
Due to banks and other financial institutions(3)	2,618,923	32,161	2.48	2,529,011	31,520	2.51
Debt securities issued	1,010,266	18,391	3.67	730,992	13,646	3.76
Total interest-bearing liabilities	**23,927,779**	**208,856**	**1.76**	**22,219,579**	**179,191**	**1.63**
Non-interest-bearing liabilities	2,150,512			1,695,294		
Total liabilities	**26,078,291**			**23,914,873**		
Net interest income		**299,301**			**277,616**	
Net interest spread			**2.13**			**2.16**
Net interest margin			**2.29**			**2.30**

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

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

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

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between six months ended 30 June 2019 and 30 June 2018		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	26,450	12,101	38,551
Investment	11,718	(790)	10,928
Due from central banks	(1,259)	(313)	(1,572)
Due from banks and other financial institutions	5,773	(2,330)	3,443
Changes in interest income	**42,682**	**8,668**	**51,350**
Liabilities			
Deposits	11,116	13,163	24,279
Due to banks and other financial institutions	1,017	(376)	641
Debt securities issued	5,071	(326)	4,745
Changes in interest expenses	**17,204**	**12,461**	**29,665**
Impact on net interest income	**25,478**	**(3,793)**	**21,685**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

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

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

In RMB millions, except for percentages

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

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	8,463,506	189,388	4.51	7,924,274	172,934	4.40
Discounted bills	348,872	6,182	3.57	297,223	7,334	4.98
Personal loans	5,354,568	121,855	4.59	4,736,890	103,024	4.39
Overseas business	1,398,919	29,651	4.27	1,396,033	25,233	3.64
Total loans and advances to customers	**15,565,865**	**347,076**	**4.50**	**14,354,420**	**308,525**	**4.33**

◆ *Interest Income on Investment*

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

◆ *Interest Income on Due from Central Banks*

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

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

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

Interest Expense

◆ *Interest Expense on Deposits*

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

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

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

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

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

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB18,391 million, indicating an increase of RMB4,745 million or 34.8% over the same period of last year, mainly attributable to the increase in the size of the financial bonds, bills and CDs issued by domestic subsidiaries and overseas institutions and the issuance of RMB110.0 billion of tier 2 capital bonds by the Bank during the reporting period. Please refer to "Note 28. to the Financial Statements: Debt Securities Issued" for the debt securities issued by the Bank.

Non-interest Income

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

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

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

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

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

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

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

Operating Expenses

In RMB millions, except for percentages

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

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

Impairment Losses on Assets

In the first half of 2019, the Bank set aside the impairment losses on assets of RMB99,180 million, an increase of RMB15,722 million or 18.8% as compared to the same period of last year. Specifically, the impairment losses on loans was RMB91,896 million, indicating an increase of RMB14,344 million or 18.5%. Please refer to "Note 17. to the Financial Statements: Loans and Advances to Customers; Note 9. to the Financial Statements: Impairment Losses on Assets" for details.

Income Tax Expense

Income tax expense increased by RMB3,960 million or 10.8% to RMB40,519 million as compared to the same period of last year. The effective tax rate was 19.37%. Please see "Note 10. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax expense.

Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

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

Note: Please see "Note 43. to the Financial Statements: Segment Information" for details.

Please refer to the section headed "Discussion and Analysis — Business Overview" for the details on the development of each of these operating segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

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

Note: Please see "Note 43. to the Financial Statements: Segment Information" for details.

Balance Sheet Analysis

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

Assets Deployment

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

ASSETS DEPLOYMENT

In RMB millions, except for percentages

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

Note: (1) Please see "Note 17. to the Financial Statements: Loans and Advances to Customers" for details.

Loan

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

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

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

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 30 June 2019 Amount	At 30 June 2019 Percentage (%)	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)
Short-term corporate loans	2,601,405	26.3	2,504,493	26.6
Medium to long-term corporate loans	7,304,641	73.7	6,914,401	73.4
Total	**9,906,046**	**100.0**	**9,418,894**	**100.0**

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

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 30 June 2019 Amount	At 30 June 2019 Percentage (%)	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)
Residential mortgages	4,915,433	81.4	4,589,961	81.5
Personal consumption loans	192,787	3.2	204,162	3.6
Personal business loans	301,964	5.0	215,983	3.8
Credit card overdrafts	628,173	10.4	626,468	11.1
Total	**6,038,357**	**100.0**	**5,636,574**	**100.0**

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

Please see the section headed "Discussion and Analysis — Risk Management" for detailed analysis of the Bank's loans and their quality.

Investment

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

INVESTMENT

In RMB millions, except for percentages

Item	At 30 June 2019 Amount	At 30 June 2019 Percentage (%)	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)
Bonds	6,508,353	90.2	6,049,076	89.6
Equity instruments	71,748	1.0	57,909	0.9
Funds and others(1)	546,117	7.6	563,346	8.3
Accrued interest(2)	92,879	1.2	84,361	1.2
Total	**7,219,097**	**100.0**	**6,754,692**	**100.0**

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

(2) Please see "Note 18. to the Financial Statements: Financial Investments" for details.

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

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

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

DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 30 June 2019 Amount	At 30 June 2019 Percentage (%)	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)
Undated(1)	10	0.0	54	0.0
Less than 3 months	411,406	6.3	255,716	4.2
3 to 12 months	675,795	10.4	660,914	10.9
1 to 5 years	3,355,836	51.6	3,319,674	54.9
Over 5 years	2,065,306	31.7	1,812,718	30.0
Total	**6,508,353**	**100.0**	**6,049,076**	**100.0**

Note: (1) Refers to overdue bonds.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

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

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

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

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

As at 30 June 2019, the Group held RMB1,405,482 million of financial bonds[1], including RMB689,528 million of policy bank bonds and RMB715,954 million of bonds issued by banks and non-bank financial institutions, accounting for 49.1% and 50.9% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Bond name	Nominal value	Annual interest rate	Maturity date	Allowance for impairment losses[(1)]
Policy bank bonds 2019	20,047	3.48%	8 January 2029	–
Policy bank bonds 2012	11,400	4.04%	25 June 2022	–
Policy bank bonds 2010	11,050	3.51%	27 July 2020	–
Policy bank bonds 2012[(2)]	10,580	3.94%	21 August 2019	–
Policy bank bonds 2011	10,505	4.62%	22 February 2021	–
Policy bank bonds 2012[(2)]	10,140	3.76%	13 July 2019	–
Policy bank bonds 2010	9,700	3.65%	26 March 2020	–
Commercial bank bonds 2017	9,500	4.20%	17 April 2020	–
Policy bank bonds 2010	9,450	Benchmark interest rate[(3)] plus 0.59%	25 February 2020	–
Policy bank bonds 2015	9,230	4.25%	13 April 2022	–

Notes: (1) Excludes stage 1 allowance for impairment losses set aside in accordance with the New Financial Instrument Standards.

(2) The bonds had been repaid on the maturity date.

(3) Benchmark interest rate refers to the interest rate of one-year time deposits applied by PBC on the value date of each interest-bearing period.

Reverse Repurchase Agreements

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

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

Liabilities

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

LIABILITIES

In RMB millions, except for percentages

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

Due to Customers

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

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2019 Amount	At 30 June 2019 Percentage (%)	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)
Corporate deposits				
Time deposits	5,347,694	23.1	5,076,005	23.7
Demand deposits	7,057,901	30.5	6,405,136	29.9
Subtotal	**12,405,595**	**53.6**	**11,481,141**	**53.6**
Personal deposits				
Time deposits	6,256,590	27.1	5,505,236	25.7
Demand deposits	4,016,237	17.4	3,931,182	18.4
Subtotal	**10,272,827**	**44.5**	**9,436,418**	**44.1**
Other deposits[(2)]	**216,917**	**0.9**	**268,914**	**1.3**
Accrued interest	**230,098**	**1.0**	**222,461**	**1.0**
Total	**23,125,437**	**100.0**	**21,408,934**	**100.0**

Notes: (1) Please see "Note 27. to the Financial Statements: Due to Customers" for details.

(2) Includes outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2019 Amount	At 30 June 2019 Percentage (%)	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)
Head Office	44,834	0.2	56,304	0.3
Yangtze River Delta	4,456,552	19.3	4,032,866	18.8
Pearl River Delta	2,987,230	12.9	2,726,705	12.7
Bohai Rim	6,345,099	27.4	5,922,781	27.7
Central China	3,323,073	14.4	3,064,753	14.3
Western China	3,832,889	16.6	3,591,835	16.8
Northeastern China	1,190,376	5.1	1,105,344	5.2
Overseas and others	945,384	4.1	908,346	4.2
Total	**23,125,437**	**100.0**	**21,408,934**	**100.0**

Repurchase Agreements

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

Shareholders' Equity

As at 30 June 2019, shareholders' equity amounted to RMB2,428,895 million in aggregate, RMB84,012 million or 3.6% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB83,375 million or 3.6% to RMB2,413,376 million. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

For details on off-balance sheet items, please refer to "Note 38. to the Financial Statements: Commitments and Contingent Liabilities; Note 39. to the Financial Statements: Designated Funds and Loans".

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB1,004,798 million, representing an increase of RMB818,266 million as compared to the same period of last year, mainly attributable to increased cash inflows resulted from an increase of due to customers. Specifically, cash outflows of operating assets grew by RMB260,567 million and cash inflows of operating liabilities increased by RMB1,067,860 million.

Net cash outflows from investing activities amounted to RMB411,572 million. Specifically, cash inflows were RMB851,805 million, representing an increase of RMB69,191 million as compared to the same period of last year, mainly due to the increased cash inflows received from the recovery of financial investment; and cash outflows were RMB1,263,377 million, representing an increase of RMB252,342 million, mainly due to the increase in cash outflows paid for financial investment.

Net cash inflows from financing activities amounted to RMB138,375 million, of which, cash inflows were RMB624,417 million, mainly due to the issuance of debt securities; and cash outflows were RMB486,042 million, mainly due to the repayment of debt securities.

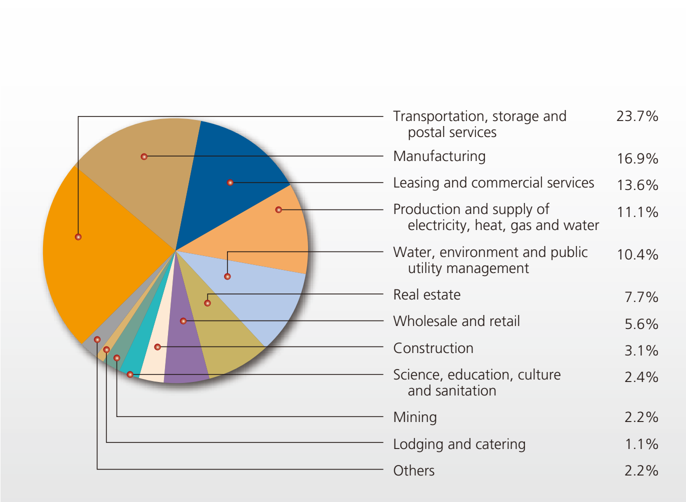
BUSINESS OVERVIEW

Corporate Banking

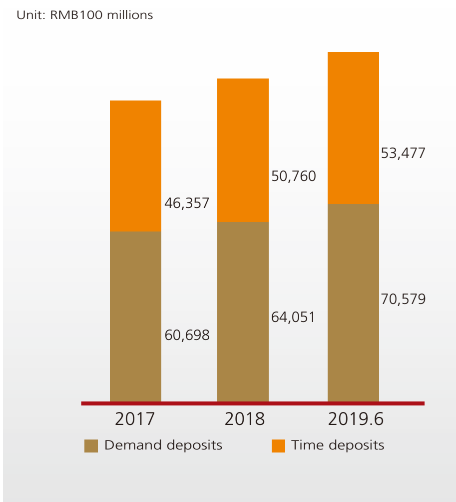
The Bank made further headway in promoting the "full-spectrum corporate" banking strategy. The Bank accelerated the optimization and adjustment of credit structure with a focus on national strategies, tapped into the inclusive finance market with a focus on financial services for agriculture, rural areas and farmers and kept improving the quality and efficiency of serving the real economy. The customer base was continuously cemented by attracting new customers and improving the quality of existing customers. The diverse financial needs of customers were met with all-round services including underwriting of bonds, agency investment in wealth management, distribution of syndicated loans and debt-for-equity swap.

- The Bank continuously promoted credit restructuring and accelerated the "One plus Three" credit layout adjustment, with One referring to the basic industrial sectors, and Three referring to a triple of sectors, i.e. happiness industries, advanced manufacturing and Internet of Things connectivity. All four sectors recorded fast growth. The Bank effectively supported the implementation of major infrastructure projects under construction and for weakness improvement, national strategic regions, private enterprises, inclusive finance, etc.
- The Bank actively explored new growth models for corporate deposits, improved the authorization management for deposit business, strengthened product innovation and moderately expanded the customer base for active liability products. The Bank strengthened the fundamental management of deposit business and effectively enhanced the corporate service capability in all channels, both online and offline. The Bank defended the bottom line for compliance to boost stable development of the corporate deposit business.
- At the end of June 2019, the Bank maintained 7,628 thousand corporate customers, representing an increase of 595 thousand from the end of the previous year. The balance of corporate loans reached RMB9,906,046 million, representing an increase of RMB487,152 million or 5.2%. The balance of corporate deposits reached RMB12,405,595 million, representing an increase of RMB924,454 million or 8.1%.

Domestic Corporate Loans by Industry



Corporate Deposits



Inclusive Finance

- The Bank actively developed an efficient, convenient service network which was integrated online and offline so as to increase the coverage and convenience of inclusive financial services. Leveraging FinTech, the Bank accelerated product upgrading and built a comprehensive inclusive financial service system pillared by the ICBC Small and Micro Finance Platform and three major products, i.e. Quick Lending for Operation, Online Revolving Loan and Online Supply Chain. The Bank further stepped up efforts to build specialized inclusive financial institutions and continuously enhanced the quality and efficiency of small and micro enterprise banking centers, the number of which reached 288 by the end of June 2019.
- The Bank continued to carry out campaigns to bring inclusive financial services to small and micro enterprises in an effort to foster a new ecosphere of inclusive development. It visited and established in-depth cooperative relationships with thousands of specialized markets, E-commerce platforms and leading enterprises, and signed agreements with many local governments, industry associations, industrial parks and specialized markets on deepening cooperation to further diversify inclusive financial services.
- At the end of June 2019, the balance of small and micro enterprise loans within the scope of inclusive finance amounted to RMB440,238 million, representing an increase of RMB130,124 million or 42.0% over the beginning of the year. The average interest rate of loans granted in the first half of 2019 decreased by 0.42 percentage points over 2018 to 4.53%.
- The Bank actively implemented the state policies related to financial services for agriculture, rural areas and farmers, and set up inclusive finance promotion committees at the levels of the Head Office and tier-one branches in an effort to promote agriculture-related inclusive financial services across the board. At the end of June 2019, farmer business loans and small and micro enterprise agriculture-related loans which belonged to the scope of inclusive loans combined to RMB112,016 million, representing an increase of RMB22,882 million or 25.7% over the beginning of the year. These loans were issued to 83 thousand customers, representing an increase of 28 thousand customers. The average interest rate of loans granted in the first half of 2019 decreased by 0.12 percentage points over 2018 to 4.91%.

Institutional Banking

- The Bank made further progress in cooperation with the government. The Bank supported the e-reform of income and expenditure of national treasury and enhanced the capabilities of serving fiscal departments and budgetary units at all levels.
- The Bank carried forward the cooperation with other financial institutions on all fronts. The Bank deepened comprehensive cooperation with Shanghai Stock Exchange, Shenzhen Stock Exchange, China Reinsurance (Group) Corporation and other key customers at the Head Office level. The Bank launched the innovative Bills Discounting Link business and successfully handled the first Bills Discounting Link transaction in the market. The Bank successfully obtained the qualification for depository bank for the OTC integrated service platform of Dalian Commodity Exchange.
- The Bank made successful explorations for a fresh model of alleviating poverty with joined-up efforts from banks, insurers and futures companies in the animal husbandry and introduced the innovative "banking + futures + insurance" products related to feed costs and the green pepper climate index insurance products, thus beefing up targeted poverty relief in a joint and effective way.

Settlement and Cash Management

- The Bank improved the corporate payment and settlement system to serve diverse settlement scenarios. It improved the six product lines including account management, liquidity management, trade finance, risk management, investment and wealth management and management of collection and payment, and provided comprehensive service solutions in a customer-centric way.
- The Bank continued to cement its leadership in corporate payment, promoted the global cash management platform, took steps to expand its global market presence and explored target customers at home and abroad, in a bid to create a global cash management business system and enable the integration and innovation of financial services, modern technologies and treasury management of enterprises. The "ICBC Pooling" financial service platform was created to establish a seamless link to ERP systems of enterprises, thus embedding financial services seamlessly into the whole transaction process of enterprises and realizing a customer on-boarding model via "transaction plus finance".
- At the end of June 2019, the Bank maintained 8,982 thousand corporate settlement accounts, representing an increase of 8.0% over the end of the previous year, and the volume of settlements reached RMB1,189 trillion. There were 1,358 thousand cash management customers and 7,647 global cash management customers.

International Settlement and Trade Finance

- In cooperation with the General Administration of Customs of the People's Republic of China, the Bank participated in the financial service features project for the international trade single-window platform. It enabled the Bank to provide one-stop financial services such as cross-border settlement and financing for Chinese importers and exporters which comprehensively enhanced the financial service capacity for cross-border trade.
- The Bank innovated the service trade finance products, and also formulated management measures on accounts payable financing products for service trade. Keeping abreast of the international import and export trade, the Bank committed to the financing demands of market and the diversity of financing product portfolio for the global trade.
- In the first half of 2019, domestic branches disbursed an aggregate of USD27,702 million in international trade finance. International settlements amounted to USD1,722,144 million, of which USD812,465 million was handled by overseas institutions.

Investment Banking

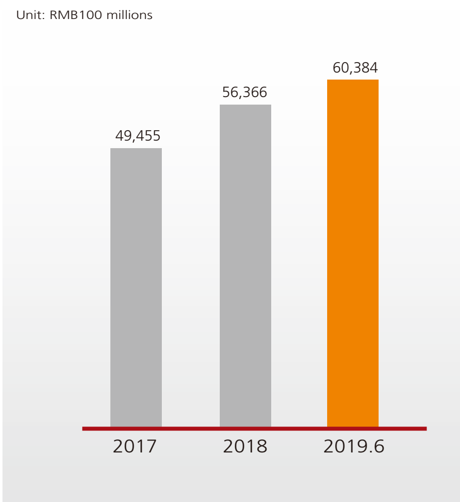
- While attaching importance to product innovation, the Bank actively expanded M&A advisory business, debt financing advisory business and equity financing advisory business. The Bank stepped efforts to promote the M&A services encompassing the entire value chain of advisory service, finance and investment, drove the transformation of the asset securitization business from investor to active manager and pressed ahead with the equity investment business including new growth driver funds, debt-for-equity swap funds and lending-investment link for science and technology innovation enterprises.
- The Bank developed a new value-oriented investment research model, innovatively introduced the ICBC financing index series and worked harder to build the "ICBC Investment Banking Research" brand.
- The "Intelligent e Credit" think tank platform launched the investment banking information release and transaction matchmaking features such as Intelligent Finance Cloud, Intelligent Master, Intelligent Info, which leveraged on big data analysis technology to push and display the latest information to customers based on their interests. "Intelligent e Credit" was granted the "Top 10 Investment Banking Innovations 2019" by *The Chinese Banker*.
- In the first half of 2019, the Bank acted as the lead underwriter for 937 domestic bond projects with a total value of RMB728,308 million, preserving its No. 1 position in the market in terms of domestic leading underwriting scale.

Personal Banking

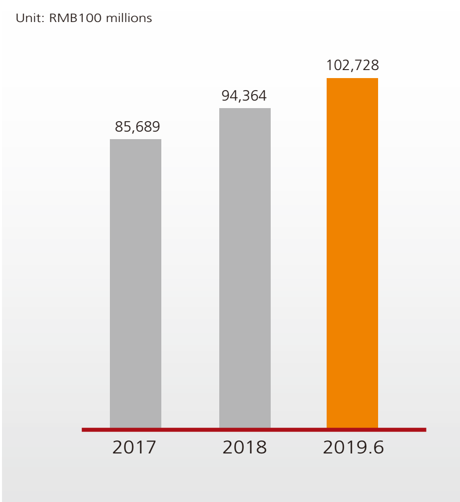
The Bank actively promoted the transformation toward "Intelligent Retail", and created novel models, services and channels which were more intelligent through the deep integration of retail banking and FinTech, achieving the all-round enhancement of the retail banking market competitiveness and customer satisfaction.

- The Bank continued to advance the "online and offline" two-dimensional services. The Bank vigorously marketed "ICBC e Wallet" online, integrating products and services into various external platform scenarios and providing customers with easy-to-access settlement, wealth management, financing and other financial services. In the offline dimension, the Bank improved the intelligent service level, promoted intelligent transformation of outlets and introduced novel models including outreach service and remote service.
- The Bank furthered innovation in deposit products by introducing thematic certificates of deposit, such as "ICBC Welcomes Spring" and "Spring Festival with Palace Museum". The Bank further sharpened the competitive edge of deposit products by developing a mix of personal deposit products including basic, inclusive, structured, exclusive and prestigious series.
- The personal loan business progressed steadily. The Bank strictly implemented the differentiated housing loan policy and supported the reasonable loan demands on self-occupied home buying of resident families, seeing a steady expansion in residential mortgages. The Bank promoted innovative personal loan products, including housing-backed personal consumption and business loan, a hybrid product, to further enrich the system of personal consumption loans.
- The Bank encouraged the transformation of agency sales. The Bank optimally selected fund products for agency sales and distributed a number of popular fund products as agent, including the STAR Market-themed funds. The thematic marketing campaigns including "ICBC-AXA Day" and "Car Fans Day" were carried out, substantially pushing up the size of bancassurance. In the first half of 2019, funds under agency sales amounted to RMB318.7 billion, sales of treasury bonds under agency arrangement were valued at RMB48.4 billion, and personal insurance products under agency sales reported at RMB95.4 billion.
- At the end of June 2019, personal financial assets exceeded RMB14 trillion. The personal deposits arrived at RMB10,272,827 million, representing an increase of RMB836,409 million or 8.9%. The personal loans stood at RMB6,038,357 million, representing an increase of RMB401,783 million or 7.1%. The Bank had 627 million personal customers, including 13.70 million personal loan customers, representing an increase of 20.13 million and 0.41 million respectively.

Personal Loans



Personal Deposits



Private Banking

- The Bank leveraged on its overall advantages in retail, asset management, investment banking and technology, etc. to provide customers with a whole package of all-round, full-view, full-process, comprehensive and professional services of quality private banking.
- The Bank strengthened product innovation. Two tailor-made insurance products, namely Xin Ru Yi No. 6 Life Insurance and Xin Feng Rui, were rolled out to meet the diverse and individual insurance needs of private banking customers.
- The investment research was upgraded and asset allocation was improved. Flexible and dynamic investment strategies were developed to provide full-view asset allocation services. The Bank improved the regular reporting system for investment advisory service and diversified model tools for guiding customers in asset allocation.
- At the end of June 2019, a total of 92,070 individual customers had at least RMB8 million worth of financial assets with the Bank, representing an increase of 11,350 customers or 14.1% compared with the end of last year. The assets under management amounted to RMB1,585.7 billion, representing an increase of RMB192.1 billion or 13.8%. At the end of June 2019, a total of 154,512 individual customers had at least RMB6 million worth of average daily balance of financial assets per month with the Bank in the past six months, representing an increase of 8,441 customers or 5.8% compared with the end of last year. The assets under management amounted to RMB1,836.5 billion, indicating an increase of RMB218.4 billion or 13.5%.

Bank Card Business

- The bank card product portfolio and features became increasingly diverse. The Bank launched the debit card face customization service and also introduced the direct mailing service of debit cards after online application by customers. New products such as the Palace Museum credit and debit cards were rolled out. The Bank took the lead in issuing ETC credit cards quickly both online and offline. It promoted the "I GO" promotional brand and carried out nationwide and regional promotional campaigns to further enhance the brand influence.
- The installment business was advanced in an orderly manner. The automobile installment, bill installment and home improvement installment businesses showed steady development.
- At the end of June 2019, the Bank issued 1,029 million bank cards, representing an increase of 38.12 million cards from the end of the previous year, which consisted of 874.43 million debit cards and 154.45 million credit cards. Overdraft balance of credit cards rose by RMB1,705 million or 0.3% from the end of previous year to RMB628,173 million. In the first half of 2019, bank cards registered a consumption volume of RMB3.26 trillion, including RMB1.83 trillion of consumptions with debit cards and RMB1.43 trillion of consumptions with credit cards.

Asset Management Services

The Bank carried forward the implementation of the mega asset management strategy as a whole, pushed forward the transformation of asset management business and products in a steady manner and comprehensively enhanced investment management and research capabilities. Relying on the strength of the Group's asset management, custody and pension businesses, the Bank established a mega asset management business system allowing allocation of capital in all markets and value creation across the whole value chain and linking the functions of its comprehensive subsidiaries specialized in fund, insurance, leasing, investment banking and wealth management, thus to provide diversified, integrated and specialized services for the clients.

Wealth Management Services

- Guided by the New Rules on Asset Management and other regulatory requirements, the Bank pushed forward the transformation of the operation structure and products of wealth management services. The subsidiary ICBC Wealth Management was approved to open for business and took the lead in obtaining the professional qualifications for general derivatives trading and foreign exchange business. It was also the first of its kind to launch innovative wealth management products. Old products were reduced at a reasonable pace and a sound system of new products was created to further boost market competitiveness.

- Investment management focused on supporting the supply-side structural reform and economic transformation and upgrading. The development of real economy was further bolstered with diverse investments, including bond investment and capital market investment.
- The Bank accelerated the development of overseas platforms, giving full play to the platform role of ICBC Asset Management (Global). It deepened the coordinated domestic and overseas development and the product line construction.
- At the end of June 2019, the balance of non-principal-guaranteed wealth management products stood at RMB2,331,814 million.

Asset Custody Services

- In response to the changes in external regulatory environment, the Bank achieved steady growth in assets scale under custody and further strengthened its leading position as the largest custodian among local peers by leveraging its expertise and experience in the operation of net-worth products, seizing opportunities in the pension insurance system reform to expand its custody market share in the enterprise annuity, occupational annuity and pension insurance fund, and seizing opportunities of the rapid expanding of mutual funds aroused by stock market recovery.
- The Bank accelerated innovation. As a commercial bank, it was among the first batch to obtain the qualification for depositary receipt under the "Shanghai-London Stock Connect" program and successfully achieved the first CDR depository deal and the first domestic custody deal for underlying securities of GDR in the market. The Bank ranked No.1 industry-wide by both product number and asset scale under custody in the "China-Japan ETF Connect" mechanism.
- The Bank was awarded the "Custodian Bank of the Year in China (Mega Bank)" by *The Asian Banker*, and the "Best Insurance Custodian, China" by *The Asset*.
- At the end of June 2019, total net value of assets under the Bank's custody reported at RMB16.31 trillion.

Pension Services

- The Bank's leading position was further cemented. It led other banks in the bidding for the trustee and custodian business contracts of occupational annuities of all the central and local governmental agencies and administrative institutions that have completed bid invitations.
- In recognition of the further enhanced influence of its pension business brand, the Bank won the "Tianji Award for Pension Financial Service Bank" from the *Securities Times*.
- At the end of June 2019, the pension funds under the Bank's trusteeship amounted to RMB132.1 billion; the Bank managed 10.44 million individual enterprise annuity accounts, and the pension funds under the Bank's custody totaled RMB585.0 billion. The Bank continued to lead other domestic banks in terms of the scale of enterprise annuity funds under the Bank's trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank's custody.

Financial Market Business

Money Market Activities

- In the RMB money market with reasonably sufficient liquidity in the first half of the year, the Bank took a variety of measures including marketing and customer attraction, active inquiries and demand tapping to continuously strengthen fund operation and increase its efficiency. With risks strictly kept under control, the Bank acted as an active lender to various institutions through reasonable arrangement of business type, maturity and customer structure. The Bank continued to develop the bond lending business aggressively and unleashed its advantages, including the large position of bonds and complete range of bond types, boasting the largest market share of bond lending.

- In the foreign exchange money market, the Bank actively carried out the inter-bank lending and certificates of deposit investment business to expand the fund lending channels. Based on in-depth analysis of the foreign exchange money market trends, the Bank seized market opportunities to strengthen long-maturity transactions to increase the yield of fund operation while ensuring the safety of foreign currency liquidity across the Bank. The Bank became one of the first institutions to participate in the Collateralized Foreign Currency Lending organized by the China Foreign Exchange Trade System.

Investment

- In terms of RMB bond investment, the Bank kept improving the investment structure and increased the yield of bond investment by conducting active market research, seizing higher market interest rates and reasonably controlling durations. The Bank continued to work hard on local government bond investment to channel money into various fields of the real economy, such as shantytown redevelopment, ecological conservation and medical services, providing a strong support for development of the real economy.
- In terms of foreign currency bond investment, the Bank made timely adjustments to the foreign currency bond investment strategy, accelerated investment at the appropriate time, steadily expanded the investment in foreign currency bonds and continued to increase the overall yield of the foreign currency bond portfolio while strictly controlling credit risk and market risk. The Bank actively looked for new counterparties to foreign currency bond market making, steadily expanded the customer base and enhanced the customer service level.

Financing

- In line with its fund operation and liquidity management needs, the Bank reasonably arranged the scale and structure of liabilities including interbank borrowing, structured deposits and large-denomination CDs in order to enhance the supporting capacity of diverse liabilities to asset business growth.
- For details on the Bank's CDs and debt securities issued, please refer to "Notes to the Financial Statements: 26. Certificates of Deposit; 28. Debt Securities Issued".

Franchise Treasury Business

- In the aspect of franchise foreign exchange settlement and sales and foreign exchange trading, the Bank continued to diversify the currencies and business types in active response to the government's Belt and Road Initiative, regarding serving the real economy as the driver of business development. In the first half of 2019, the volume of franchise foreign exchange settlement and sales reached USD215.6 billion, and the franchise trading in currencies of countries along the Belt and Road and also the emerging markets grew by 59.8% compared with the same period of last year.
- In terms of account trading, the Bank provided value-added services for account trading customers and accurately met customer needs through market intelligence report, live streaming and training lectures, so as to effectively promote targeted marketing. In the first half of 2019, account trading business registered a transaction value of RMB275.1 billion, increasing by 7.3% compared with the same period of last year.
- In terms of corporate commodity trading, the Bank successfully added a number of industry leaders to its customer base for corporate commodity trading, continued to optimize the corporate commodity trading system and introduce innovative products and further streamlined the trading process to increase the efficiency of trading.
- In terms of the bond agent trading and settlement business, the Bank entered into an inter-bank agency trading partnership with foreign institutional investors in 40 countries or regions across the globe. The Bank continued to innovate the over-the-counter bond business and successfully accomplished the pilot programs on over-the-counter local government bond issuance for ten provinces or equivalent administrative areas as the handling bank, thus effectively helping local governments expand the channels for local government bond issuance, investment and trading, offering more investment options to customers and putting inclusive finance into practice.

Asset Securitization Business

- The asset securitization business effectively supported the Bank's revitalization of stock assets and optimization of credit structure. In the first half of 2019, the Bank issued three tranches of asset securitization programs totaling RMB29,285 million domestically. Specifically, there were two tranches of residential mortgage securitization programs worth RMB28,425 million in aggregate and one tranche of non-performing credit card asset securitization program worth RMB860 million.

Precious Metal Business

- The Bank developed locality-specific precious metal products with vigor by aligning the sale of physical precious metal products closely with sports events, museum themes and hot cultural and creative issues to meet customer demands. The ICBC Gold e Customization feature was developed, marking rapid development in the physical product customization business.
- In trading on behalf of the Shanghai Gold Exchange, the Bank made new breakthroughs in Internet customer on-boarding and institutional customer base expansion by accelerating large-scale customer on-boarding via Internet and connecting to third-party platforms around high-traffic access point scenarios.
- In active response to the Belt and Road Initiative, the Bank facilitated faster opening-up of the gold market by constructing and operating the Shanghai Gold Exchange International Board Delivery Warehouse in Shenzhen, in a bid to improve the gold market infrastructure, get integrated into the Guangdong-Hong Kong-Macau Greater Bay Area and enhance the capability of serving the real economy in the precious metal business.
- In the first half of 2019, the Bank conducted nearly RMB400.0 billion of transactions and cleared over RMB140.0 billion on behalf of the Shanghai Gold Exchange, both ranking No. 1 on the exchange.

FinTech

The Bank advanced the ECOS project across the board, accelerated the transformation of FinTech management and worked hard to boost the capability of FinTech service supply, thus enabling the business transformation and development across the Bank.

- **The ECOS project was advanced in a well-organized manner.** The Bank integrated resources to develop a complete view of the new ecosphere-like business architecture covering "all customers, all channels and all fields" and transformed steadily to a "dual-core driven" IT architecture based on the core banking system and the open-ended ecosystem. The Bank built leading enterprise-level FinTech platforms, such as artificial intelligence, biometrics, blockchain and Internet of Things and accelerated the conversion of technological capabilities to business value. The Bank promoted the application of business architecture integration outcomes and completed the connection of business architecture and IT architecture in 28 fields. The Bank established a full-fledged secure, controllable big data service cloud system, becoming the first large commercial bank that successfully transformed the big data system from traditional software and hardware integrated solution to distributed architecture. The Bank continued to migrate business from mainframe to open-ended platforms, promoted orderly inclusion of applications in the cloud and accelerated the service-oriented upgrading of global cash management, foreign exchange trading and other applications. The Bank completed distributed transformation of 122 key applications, further fortified the basic support capability of the distributed technological framework; strengthened the technological support capability of the FinTech platform, continued to improve the accuracy of OCR identification of the AI-based machine learning platform, added the iris recognition and finger vein recognition to the biometrics platform and launched the enterprise-level robotic process automation (RPA) platform to improve the mix of AI technologies.
- **The Bank improved the technological organizational structure and carried out the technology management transformation project.** ICBC Information and Technology Co., Ltd. was established in Xiongan New Area to enable the Group's intelligent banking strategy internally and enable business innovation of customers externally. It has become a new driving force and paradigm of "finance plus industry" ecological development. Research and development branches of the Software Development Center were set up in Chengdu and Xi'an to further improve the organizational structure for FinTech. The Bank reformed the R&D mechanism for technological innovation and carried out pilot programs on agile development and flexible and quick launch. The cycle of agile iterative development was further shortened and the quality of development further improved.

- **The business continuity of information systems and the capability of information security protection were improved continuously.** The Bank launched the financial ecosphere cloud monitoring system to create a multi-dimensional monitoring view of key business scenarios and improve the capability of information system risk control in the context of new technologies and new business models. The Bank continued to improve the intelligent operation and maintenance level and developed innovative automatic operation and maintenance tools to ensure the high availability and reliability of production systems. The Bank strengthened the Group's integrated information security protection system, created a multi-dimensional, multi-angle view of information security situation awareness of the Head Office and branches based on the information security operation center (SOC), established a multi-level security monitoring system based on information security models to improve the Group's capability of information security protection. The Bank continued to carry out information security checks, information security drills and confrontational exercises and engaged authoritative third parties to conduct special inspections and security assessments.
- The Bank ranked first industry-wide for six consecutive years in CBIRC's IT supervision ratings, leading all other Chinese banks. It was awarded two FinTech innovation awards, i.e. "Best AI Initiative" and "Best Digital Transformation Project" by *The Asian Banker*, and won the "Best Financial Innovation Award" from *The Chinese Banker* for the fourth consecutive year.
- In the first half of 2019, the Bank was granted 21 patents, and the total number of patents owned by the Bank increased to 570, including 290 patents for inventions granted by the state and 280 patents for utility model and industrial design granted by the state, both ranking first industry-wide.

Internet Finance

The Bank further implemented the e-ICBC 3.0 strategy for internet financial development. It worked hard on the public services, industrial and consumption fronts of internet to advance cooperation with government agencies comprehensively, speed up acquiring corporate customers and steadily develop individual customers. It continued to add intelligent content into traditional financial services and built an open, cooperative and win-win financial services ecosphere.

Advancement of Core Platforms

◆ *ICBC Mobile*

- The Bank is dedicated to developing ICBC Mobile into a professional, intelligent online financial transaction service platform that offers an exceptional service experience. The Bank accelerated the development of individualized versions for different customer groups. The Bank launched a number of new features, including family accounts, authorized account opening, one-touch inter-bank remittance and inter-bank remittance via cellphone numbers. It introduced the integrated online and offline services, rolled out the innovative credit card feature "Immediate Cash" that provided card holders with readily available cash, realized online application for card replacement without card number change and provided with online credit certification.
- At the end of June 2019, the number of ICBC Mobile customers reached 333 million. ICBC Mobile maintained its industry-dominance in customer number, customer loyalty and activeness.

◆ *ICBC Mall*

- The Bank further pursued featured development of the ICBC Mall platform. The Tourist Section went live, providing air tickets, train tickets, entrance tickets and hotel services. In support of targeted poverty relief, the new version of "Poverty Relief Shops" was set up to house nearly 3,000 merchants from poverty-stricken areas. Special value zones including Reward Points, Stamp & Coin Pavilion and Private Banking were developed. The Bank also continued to build brands including ICBC e Procurement, ICBC e Travel, ICBC e Assets, ICBC e Cross-border and ICBC e Charity and Bank-Court Link.
- At the end of June 2019, ICBC Mall had 133 million registered users.

◆ *ICBC Link*

- The Bank built the main portal for scenarios, the customer information service center and the online-offline user interaction service platform. The Bank worked to develop a local service zone of ICBC Link, providing individualized services for customers in different regions. The Bank improved diverse information reminder services including logistics, social security, provident fund, tax and bill payment. The social security, provident fund and tax information reminder services have covered 249 cities nationwide.
- At the end of June 2019, ICBC Link had 159 million registered users.

◆ *ICBC Enterprise Mobile Banking*

- The Bank built a major platform for long-tail corporate customers for industrial connectivity, with a focus on the small and medium-sized enterprise market. The Bank continued to improve product features and service experience in terms of visual experience, interaction process and operational services. ICBC e Discount and Online Revolving Loan and other signature products went live quickly in an effort to boost the influence of corporate mobile banking.
- At the end of June 2019, ICBC Enterprise Mobile Banking had 1.28 million active users.

Development of Key Business Lines

◆ *Payment*

- The Bank developed "ICBC e Corporate Payment", a corporate online payment brand embedded into the scenarios of the supply-chain core enterprise platform and other various transaction platforms, providing corporate online payment and settlement services for these platforms and ensuring the fund flows of transactions were consistent with their information flows. The treasury cloud platform was built to provide online integrated financial services that combined both "financial and non-financial" resources for large and medium-sized enterprises. The "Enterprise Link" corporate account opening service was further improved to provide one-stop account services for enterprises desired to handle business registration and open corporate accounts.
- The Bank further improved the aggregation payment function of e-Payment and successively launched such features as clearing of advance payment and unified posting to improve the user experience of payment products. The Bank tapped deep into a wide variety of fields, including public transportation, education, medical care, retail, catering, hotels, public services and utility billing. The Bank rolled out the "e-Payment QR Code" aggregation payment service targeting small and micro merchants, a move to provide small and micro merchants with convenience, concessions and energy. At the end of June 2019, nearly 400,000 small and micro merchants had been served.
- The Bank upgraded ICBC e BillPay, rolled out the cross-border bill payment service, innovated financial ecosphere cloud services including the Party, League and Labor Union Cloud and the Property Management Cloud and effectively extended services to various financial and non-financial scenarios.
- The Bank stepped up development of the third-party Quick Payment service. The Bank launched the "One-touch Registration" function, kept diversifying the payment application scenarios and devoted in marketing. The number of cards and the volume of transactions with Quick Payment effectively increased.

◆ *Consumer Finance*

- The Bank enriched the product features, cooperation models and scenario applications of ICBC e Loan and promoted the "Credit Granting in Seconds" and "Payment in Seconds" scenario applications in a bid to enhance the customers' experience with internet financing. "Credit Granting in Seconds" has enabled online real-time credit granting and real-time lending by importing external credible data such as provident fund, social security and personal tax information and adopting risk control methods such as face recognition. At the end of June 2019, "Credit Granting in Seconds" was brought online in 136 cities to cover all provident fund, social security and tax scenarios.

◆ *Digital Inclusive Finance*

- ICBC Small and Micro Finance Platform was improved to further implement the strategy of serving the real economy with financial services. The service channels for internet financing were expanded to provide small and micro enterprises with a financial service package including account opening, settlement and financing. Functional modules including e-financing, financial management, investment and wealth management and Small and Micro Enterprise e Management were launched to help small and micro enterprises improve their capability of operation and management.
- The Bank strengthened efforts to build an inclusive finance product system and worked harder to build "Quick Lending for Operation", "Online Revolving Loan" and "Online Supply Chain". The special scenarios of Quick Lending for Operation were extended to settlement, taxation and merchants. The e-Mortgage Quick Loan business was developed with vigor to enable customers' online self-service application, online collateral assessment and automatic approval, thus effectively boosting the processing efficiency and risk control. The online supply chain finance business was carried out actively, enabling effective extension from core enterprises to upstream and downstream customers in the industrial chain.

Building of a Financial Ecosphere

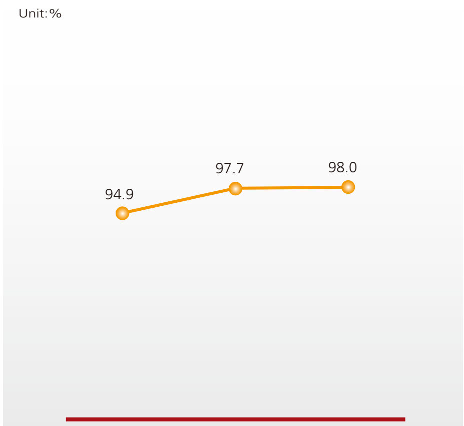
- The Bank stepped up cooperation in applying information technologies to government services. In an effort to build an intelligent government service platform, the Bank announced the launch of the "Blockchain Platform for Land Acquisition & Demolition Fund Management" jointly with Xiongan New Area Management Committee. The "Business Link" application went live to organically integrate the government's supervision and approval management services with the bank's financial services. The Bank established interconnection with some provincial government service platforms to "import" convenient government services and "export" financial service. Further progress was made in the ICBC Campus Connect tiered service system, with more than 10,000 schools going online. With a focus on the transportation field, the Bank sped up the construction of non-inductive traffic scenarios such as ICBC Car License Payment and QR Code Payment. The non-inductive pay service covered bus, airport, high-speed railway station and parking facility scenarios in 160 cities across the country.
- The Bank helped internet transformation of industries. ICBC e Corporate Payment launched the cooperation projects with giant companies including Sinopec, Sinochem and Huawei. The Ju Fu Tong platform was further optimized to provide compliant, efficient comprehensive financial services, including payment and settlement, to platform enterprises, merchants and consumers. The Bank stepped up efforts to promote the ICBC Mall special brands and pursued in-depth cooperation in corporate scenarios through ICBC e Travel, ICBC e Procurement, Car Cloud Loan and Ji Ke Platform, thereby increasing the depth of cooperation and achieving win-win cooperation.
- The Bank furthered joint efforts to build consumer finance scenarios. The Bank continued to optimize the features of ICBC e Wallet, promoted online scenarios including internet, government services, people's well-being, membership service, property deposit, remuneration management and consumer credit and entered into in-depth cooperation with more than 100 online platforms, including JD.com, Tencent and Xiaomi. ICBC Link launched such features as Type II account opening, reloading, cash withdrawal, inquiry and wealth management. With ICBC e Life as the core, the Bank built a consumer finance ecosphere covering all the scenarios, e.g. clothing, eating, housing, traveling, entertainment, learning and medical care, that gathered bank, customers and merchants.

Channel Development and Service Enhancement

The Bank always put improvement of customer service experience in the first place. Orienting towards provision of convenient services, intelligent services and inclusive financial services, the Bank pursued scientific and technological innovation, made unremitting efforts to push forward channel transformation and development, and continued to deepen the integration of online and offline channels through perfecting the offering of "intelligent plus manual, online plus offline, cloud plus near-field" services.

Channel Development

Proportion of Internet Financial Transaction



Note: The proportion of internet financial transactions refers to the number of internet financial transactions against the total number transactions of the bank.

- Outlet improvement continued. The Bank actively improved the geographical distribution of outlets and aligned the outlet network structure better with market resources, significantly improving the ability to cover core areas and high-quality customer groups. The Bank has been committed to building a new outlet system featuring "the leading top-end formats, the supportive middle-level formats and the solid basic formats". The Bank pushed forward standardization of outlets in an orderly way to enhance the aesthetics of outlets. The intelligent service model of outlets was improved and promoted as part of the smart outlet drive. At the end of June 2019, the Bank completed the intelligent transformation of 15,530 outlets, installed 78,154 intelligent devices in place and covered 271 personal and corporate business items with intelligent services.
- The Bank advanced the construction of a new post system for outlets across the board. To address the needs of outlet transformation and customer service, the Bank built a new post system for outlets featured with division of responsibilities and coordination in work among outlet managers, operation supervisors, account managers and customer service managers, so as to boost the marketing of services and efficiency of human resource utilization and improve customer service experience.
- The Bank continued to diversify and improve the new channels for customer service. The Bank diversified the entrances and tools for new channels such as QR code, outlet WiFi, WeChat and Weibo, providing customers with a convenient multi-channel service access matrix. Service features, products and application scenarios were developed for new channels. Quick services including account information inquiry and outlet search were offered via the WeChat public account for ICBC customer service and WeChat mini-programs for ICBC service, in a bid to build a WeChat service brand and combine the existing online and offline channels to create an online customer service system featuring consistent experience across all channels.
- At the end of June 2019, the Bank had 15,973 outlets, 26,548 self-service banks and 86,331 ATMs whose trading volume amounted to RMB4,371.5 billion. In the first half of 2019, the internet financial transaction amount hit RMB311.26 trillion; the proportion of internet financial transactions rose 0.3 percentage points from the end of last year to 98.0%.

Service Enhancement

- The Bank continued to cement the groundwork and outcomes of its efforts to build a "bank to the satisfaction of customers", and improved the quality of services across the board. It tried to root out the problems affecting customer experience, continued to improve procedures, provided convenient and efficient services, extended service dimensions and deepened the contents of services.
- The Bank actively promoted inclusive services including "ICBC Sharing Station" and "Shared Umbrella", a move to upgrade convenience service facilities comprehensively and serve the neighborhoods. To boost reputation, warmth and value, the Bank carried out the 2019 "Considerate Services for General Public" campaign in more than 100 city branches and rolled out service events in succession, including "ICBC Gaokao Season", "Public Experience Day" and "ICBC Services into Communities".

- The Bank further improved the online and offline operational processes and advanced the innovation and application of technologies. The Bank promoted the order-based processing model for the issuance of personal credit report and the debit card replacement without card number change, including self-service online order placement, central back-office processing and direct mail shipping. It provided customers with high-quality services featuring online quick application, offline quick delivery and total-process transparency.

Consumer Protection

- The Bank actively implemented the laws, regulations and regulatory requirements on the consumer protection, adhered to the "customer-centric" business philosophy and continuously improved all employees' awareness and capability of consumer protection. The Bank carefully analyzed deep-seated problems triggering customer complaints, made in-depth efforts to root out complaint risks and put focus on complaints in key fields and regions, aiming at continuously enhancing service quality, improving customer service experience and fully protecting the legitimate rights and interests of consumers. The Bank implemented the regulatory requirements on tax cuts and fee reductions, further standardized the charging of service fees and provided efficient and high-quality financial products and services with reasonable price for consumers. Taking initiatives to adapt itself to the diversification of consumer demands for financial literacy, the Bank launched targeted financial literacy publicity and education for consumers, kept innovating the means and contents of publicity and education, and effectively raised the anti-risk awareness and sense of responsibility and integrity of consumers.

Human Resources Management

- The Bank strengthened staff development, pursued exchange and training of employees and improved the employee management system. It further implemented the three-year staffing plan, adding staff to key urban branches and county-based institutions through well-organized campus recruitment and social recruitment. A core talents pool consisting of credit account managers was established to strengthen professional teams. The Bank continued to standardize and strengthen employee management and inspected job rotation for key posts. The Bank optimized the compensation incentive and guarantee system, improved the performance assessment schemes for outlets and their employees and enhanced the welfare and security level for expatriates.
- The organizational structure was constantly optimized for higher efficiency. To implement requirements of the CPC Central Commission for Discipline Inspection and the National Supervisory Commission on the dispatched inspection reform, the Bank improved the organizational structure and relevant functions and gradually put relevant reform measures into practice. The Bank furthered its technology system reform and optimally adjusted the technology bodies of the Head Office and branches to further sharpen the technological edge. The Bank accelerated optimal adjustments to the urban tier-one sub-branches under branches in cities other than designated large and medium-sized cities and key cities in a bid to increase their efficiency.
- Solid work was conducted on employee education and training. Training programs on competitiveness enhancement of branches in key cities were carried out to facilitate the Group strategy transmission. Training program was furthered in support of business development, such as the training intended to improve the performance of inclusive finance. Workforce development and pipeline were enhanced by providing a series of coordinated training programs targeted at managers, specialists, first-line employees at outlets and new hires based on the development laws of people at all posts. The Bank also optimized the professional certification and accreditation mechanism, improved the capability of textbook development and case study, and created a multi-dimensional training channel featuring online-offline interaction, which enhanced the overall efficiency of training services. In the first half of 2019, the Bank organized 19 thousand sessions of training, and the participants reached 2.29 million, with each participant receiving 3.1-day training on average.
- Corporate culture development was advanced constantly. To boost the innovation culture development, the "Innovative ICBC" competition was carried out to foster a ubiquitous atmosphere of innovation across the Bank. The Bank also pushed forward the integrity culture base development, the "Year of Responsibility" compliance culture event and the "Considerate Services for General Public" service culture event to deepen the spread of culture. The Bank promoted transmission of the Group's culture, embedded cultural elements into outlet design, built a group of special outlets showcasing distinctive local cultures, continued to roll out regional culture hallmarks and carried out the "that's China, that's ICBC" bookshelf event at overseas institutions to boost cultural dissemination.

Internationalized and Diversified Operation

Internationalized Operation

The Bank steadily pushed for internationalized development and continued to improve its global network. ICBC (Austria) officially opened for business. Financial support was strengthened for Chinese enterprises "Going Global" and the Belt and Road Initiative. Coordinated efforts were made to advance the integrated and joint development mechanism and financial innovation in the Guangdong-Hong Kong-Macau Greater Bay Area. The Bank enhanced coordinated domestic and overseas development, pursued in-depth development of corporate banking, personal banking, internet finance, financial market and asset management products and accelerated the cross-border RMB business development.

- In terms of corporate banking, the Bank actively served the Belt and Road Initiative, promoted international cooperation on production capacity and third-party market cooperation on a win-win basis and provided cross-border customers with "one-stop" comprehensive financial services by providing a basket of products, including overseas bond issuance, cross-border acquisition, project finance, derivatives trading and global cash management. The Bank was among market leaders in overseas IPO underwriting and sponsorship, making solid progress in underwriting and issuance of offshore bonds, cross-border equity investment and private equity funds.
- In terms of personal banking, the Bank endeavored to enhance public convenience in the Guangdong-Hong Kong-Macau Greater Bay Area by launching the "Bay Area Service Link" business, providing "one-stop" all-channels services including deposits, loans, cross-border remittance, cross-border payroll service and account security. Over 3.70 million bank cards were issued overseas, with efforts focused on developing the "ICBC Credit Card for Guangdong-Hong Kong-Macau Greater Bay Area".
- In terms of overseas internet financial services, overseas personal internet banking covered 26 countries or regions and overseas corporate internet banking served 42 countries or regions, providing services in 14 languages. ICBC Mall cross-border e-commerce kept diversifying the product categories from Asia, Africa, Europe, Australia, North America and South America. It also rolled out two-way (import and export) financial services for cross-border B2B e-commerce platforms.
- In terms of financial market business, the Bank launched massive campaigns at the issuance of "panda bonds" and foreign institutional investors' transactions in China's inter-bank bond and foreign exchange markets.
- In terms of global asset management, the Bank bettered and enriched the product lines for foreign exchange and cross-border asset management encompassing the five categories of assets, namely cash management, fixed income, equities, multi-asset and alternative investment. A series of flagship brands were developed, including "Quan Qiu Wen Jian", "Quan Qiu Tian Yi" and "Quan Qiu Lun Dong". The Bank actively participated in the Chinese capital market opening-up innovation project in accordance with the new requirements on capital market development.
- The Bank proactively advanced the cross-border RMB business. It steadily supported RMB internationalization, focusing on promoting the use of RMB in surrounding countries and Africa. The Bank accelerated the business innovation in free trade zones and the Guangdong-Hong Kong-Macau Greater Bay Area, constantly strengthened the service capacity of its overseas RMB clearing banks and stepped up development of the key offshore RMB markets. With offshore RMB products and market-making channels continuously diversified, the Bank held the leading position among Chinese commercial banks by the offshore RMB market-making volume. In the first half of 2019, the Bank's cross-border RMB business volume reached RMB2.52 trillion.
- At the end of June 2019, the Bank established 428 institutions in 47 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. The Bank also established correspondent banking relationships with 1,496 overseas banking institutions in 145 countries and regions, making its service network covering six continents and important international finance centers around the world. Among them, the Bank maintained 131 institutions in 21 countries and regions along the Belt and Road.

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

Item	Assets (in USD millions)		Profit before taxation (in USD millions)		Number of institutions	
	At 30 June 2019	At 31 December 2018	Six months ended 30 June 2019	Six months ended 30 June 2018	At 30 June 2019	At 31 December 2018
Hong Kong and Macau	194,814	182,777	1,044	956	105	104
Asia-Pacific Region (except Hong Kong and Macau)	112,814	98,766	614	564	91	91
Europe	79,245	76,127	16	136	81	81
America	54,544	56,948	281	290	150	149
Africa Representative Office	–	–	–	–	1	1
Eliminations	(36,389)	(34,100)				
Subtotal	**405,028**	**380,518**	**1,955**	**1,946**	**428**	**426**
Investment in Standard Bank(1)	3,891	3,786	189	187		
Total	**408,919**	**384,304**	**2,144**	**2,133**	**428**	**426**

Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

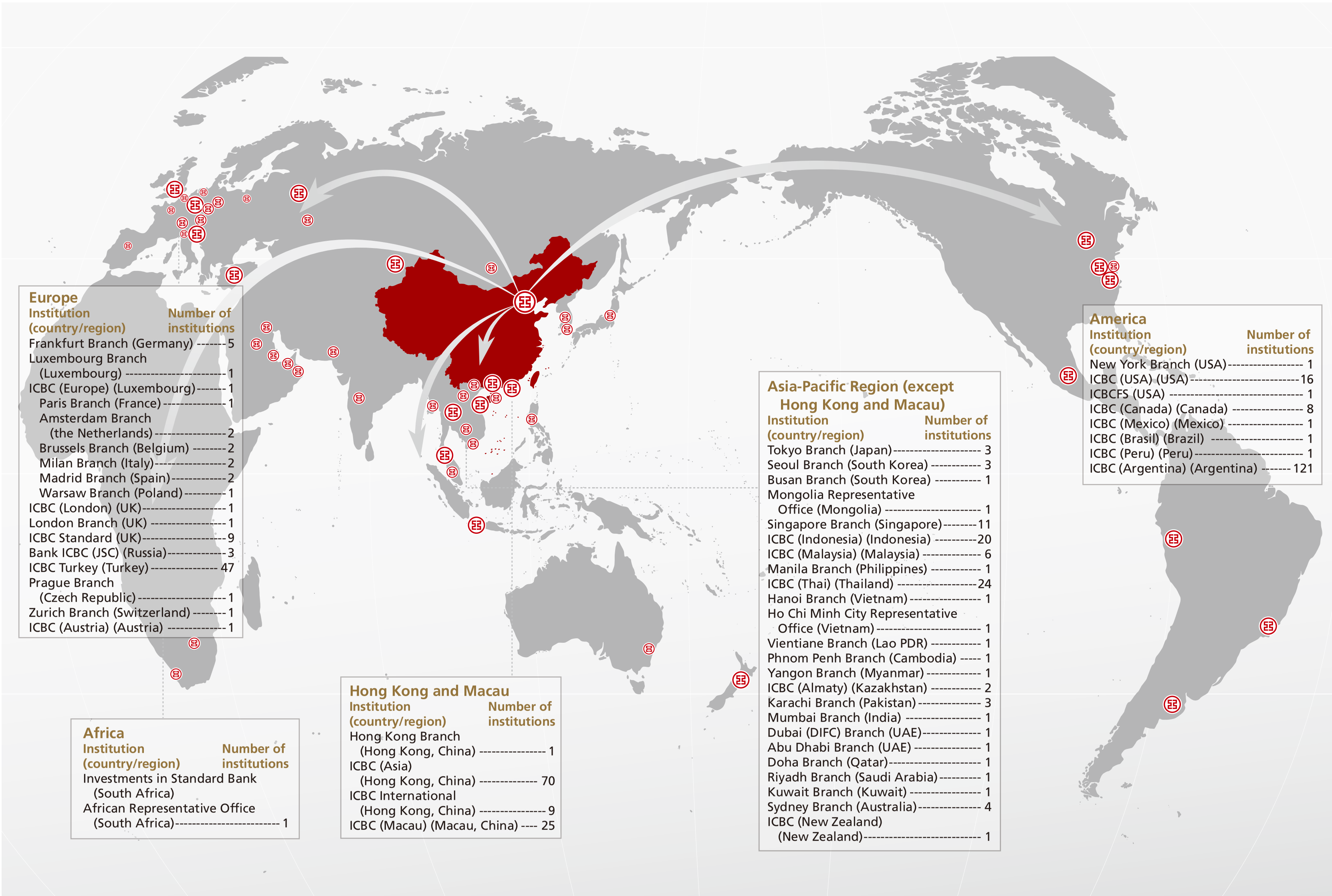
- At the end of June 2019, total assets of the Bank's overseas institutions (including overseas branches, overseas subsidiaries and investment in Standard Bank) were USD408,919 million, representing an increase of USD24,615 million or 6.4% from the end of the previous year, and they accounted for 9.4% of the Group's total assets. Profit before taxation during the reporting period came in at USD2,144 million, representing an increase of USD11 million or 0.5% as compared to the same period of last year and accounting for 7.0% of the Group's profit before taxation. Total loans amounted to USD213,728 million, representing an increase of USD6,137 million or 3.0% over the end of last year. Total deposits were USD136,201 million, increasing by USD5,237 million or 4.0%.

Diversified Operation

- Keeping aligned with the demand for serving the state's reforms and innovations, serving the real economy and serving customers, ICBC Credit Suisse Asset Management deepened coordination with the Group while enhancing market competition with the aim of improving the business structure and boosting the quality of development. It continued to cement its leadership in the pension business and maintained sound momentum of development.
- ICBC Leasing continued to improve its professionalism in aviation and shipping while fortifying the groundwork for risk management and control. In partnership with key customers of the Group, it innovatively developed an integrated shipping financial service solution that encompassed finance, manufacturing and management, in a bid to serve the real economy and help Chinese shipbuilders go abroad.
- ICBC-AXA made solid progress in business transformation and enhanced professionalism in investment, recording the strongest performance by a number of operating indicators when compared to the same periods in the past. The asset management subsidiary officially commenced operation to build a professional investment platform. All insurance businesses manifested healthy development riding on the Group's strengths in channels. The risk compliance management continued to be strengthened and the enterprise risk management system further improved.
- ICBC International registered a stable performance and good growth momentum in operating efficiency, asset quality and risk management, and its four major businesses, i.e. investment banking, sales and transaction, investment management and asset management developed in a coordinated and solid manner. IPO, bond underwriting, stock brokerage, investment and asset management further gained a sharper competitive edge.

- ICBC Investment focused work on the strategic plans for supply-side structural reform, unleashed the Group's strengths in resource integration and strengthened coordination with the Group. It strictly controlled customer on-boarding, raised social funds extensively, strengthened enterprise risk management and control and pursued high-quality development of the debt-for-equity swap business in a proactive and solid manner.
- ICBC Wealth Management opened for business successfully to become one of the first batch of banking wealth management companies that went into operation. The setup of ICBC Wealth Management is the Bank's major strategic move to bring banking wealth management back to the original mission of the asset management business. ICBC Wealth Management will pursue in-depth development of the Group's mega asset management strategy to provide customers with more comprehensive and professional services. ICBC Wealth Management has rolled out six innovative wealth management products falling in three series, namely Fixed Income Enhanced, Capital Market Hybrid and Special Private Equity and has signed strategic partnership agreements with a number of financial institutions, moving forward steadily on all fronts of business.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Europe

Institution (country/region)	Number of institutions
Frankfurt Branch (Germany)	5
Luxembourg Branch (Luxembourg)	1
ICBC (Europe) (Luxembourg)	1
Paris Branch (France)	1
Amsterdam Branch (the Netherlands)	2
Brussels Branch (Belgium)	2
Milan Branch (Italy)	2
Madrid Branch (Spain)	2
Warsaw Branch (Poland)	1
ICBC (London) (UK)	1
London Branch (UK)	1
ICBC Standard (UK)	9
Bank ICBC (JSC) (Russia)	3
ICBC Turkey (Turkey)	47
Prague Branch (Czech Republic)	1
Zurich Branch (Switzerland)	1
ICBC (Austria) (Austria)	1

Africa

Institution (country/region)	Number of institutions
Investments in Standard Bank (South Africa)	
African Representative Office (South Africa)	1

Hong Kong and Macau

Institution (country/region)	Number of institutions
Hong Kong Branch (Hong Kong, China)	1
ICBC (Asia) (Hong Kong, China)	70
ICBC International (Hong Kong, China)	9
ICBC (Macau) (Macau, China)	25

Asia-Pacific Region (except Hong Kong and Macau)

Institution (country/region)	Number of institutions
Tokyo Branch (Japan)	3
Seoul Branch (South Korea)	3
Busan Branch (South Korea)	1
Mongolia Representative Office (Mongolia)	1
Singapore Branch (Singapore)	11
ICBC (Indonesia) (Indonesia)	20
ICBC (Malaysia) (Malaysia)	6
Manila Branch (Philippines)	1
ICBC (Thai) (Thailand)	24
Hanoi Branch (Vietnam)	1
Ho Chi Minh City Representative Office (Vietnam)	1
Vientiane Branch (Lao PDR)	1
Phnom Penh Branch (Cambodia)	1
Yangon Branch (Myanmar)	1
ICBC (Almaty) (Kazakhstan)	2
Karachi Branch (Pakistan)	3
Mumbai Branch (India)	1
Dubai (DIFC) Branch (UAE)	1
Abu Dhabi Branch (UAE)	1
Doha Branch (Qatar)	1
Riyadh Branch (Saudi Arabia)	1
Kuwait Branch (Kuwait)	1
Sydney Branch (Australia)	4
ICBC (New Zealand) (New Zealand)	1

America

Institution (country/region)	Number of institutions
New York Branch (USA)	1
ICBC (USA) (USA)	16
ICBCFS (USA)	1
ICBC (Canada) (Canada)	8
ICBC (Mexico) (Mexico)	1
ICBC (Brasil) (Brazil)	1
ICBC (Peru) (Peru)	1
ICBC (Argentina) (Argentina)	121

Major Controlled Subsidiaries and Equity Participating Company

◆ *Major Overseas Subsidiaries*

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a wholly-owned Hong Kong registered bank by the Bank, and has an issued share capital of HKD44,188 million. ICBC (Asia) provides all-round commercial banking services. The major businesses include commercial credit, trade finance, investment service, retail banking, e-banking, custody, credit card, receiving bank services for IPOs and dividend distribution etc. At the end of June 2019, ICBC (Asia) recorded total assets of USD121,849 million and net assets of USD16,636 million. It generated a net profit of USD536 million in the first half of the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a licensed integrated platform for financial services in Hong Kong that is wholly-owned by the Bank, has a paid-up capital of HKD4,882 million. It mainly renders a variety of financial services, including corporate finance, investment management, sales and trading, and asset management. At the end of June 2019, ICBC International recorded total assets of USD8,466 million and net assets of USD1,262 million. It generated a net profit of USD89 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of June 2019, ICBC (Macau) recorded total assets of USD40,081 million and net assets of USD3,107 million. It generated a net profit of USD183 million in the first half of the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary of the Bank registered in Indonesia, with a paid-up capital of IDR3.71 trillion, in which the Bank holds a 98.61% stake. ICBC (Indonesia) mainly specializes in financial services such as deposit, loan, trade finance, settlement, agency services, interbank borrowing and lending and foreign exchange. At the end of June 2019, ICBC (Indonesia) recorded total assets of USD3,694 million and net assets of USD395 million. It generated a net profit of USD10.27 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. At the end of June 2019, ICBC (Malaysia) recorded total assets of USD1,136 million and net assets of USD275 million. It generated a net profit of USD6.36 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

ICBC (Thai), a subsidiary of the Bank in Thailand, has a share capital of THB20,132 million, in which the Bank holds a 97.86% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of June 2019, ICBC (Thai) recorded total assets of USD7,801 million and net assets of USD979 million. It generated a net profit of USD34.27 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a share capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, internet banking and bank card service. At the end of June 2019, ICBC (Almaty) recorded total assets of USD370 million and net assets of USD61 million. It generated a net profit of USD4.88 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

ICBC (New Zealand), a wholly-owned subsidiary of the Bank in New Zealand, has a paid-up capital of NZD234 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. At the end of June 2019, ICBC (New Zealand) recorded total assets of USD1,507 million and net assets of USD162 million. It generated a net profit of USD4.91 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary of the Bank, was incorporated in Luxembourg with a paid-up capital of EUR437 million. Paris Branch, Amsterdam Branch, Brussels Branch, Milan Branch, Madrid Branch and Warsaw Branch are structured under ICBC (Europe), which mainly offers financial services including loan, trade finance, settlement, treasury, investment banking, custody, franchise wealth management, etc. At the end of June 2019, ICBC (Europe) recorded total assets of USD6,094 million and net assets of USD730 million. It made a net loss of USD9.44 million in the first half of the year.

ICBC (LONDON) PLC

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a paid-up capital of USD200 million. It provides banking services such as deposit and exchange, loan, trade finance, international settlement, funds clearing, agency, foreign exchange trading and retail banking services. At the end of June 2019, ICBC (London) recorded total assets of USD1,848 million and net assets of USD434 million. It generated a net profit of USD8.79 million in the first half of the year.

ICBC STANDARD BANK PLC

ICBC Standard Bank, a subsidiary of the Bank in the United Kingdom, has an issued share capital of USD1,083 million, in which the Bank holds a 60% stake directly. ICBC Standard Bank mainly provides global commodity trading businesses such as base metals, precious metals, commodities and energy as well as global financial markets businesses such as exchange rate, interest rate, credit and equity. At the end of June 2019, ICBC Standard Bank recorded total assets of USD24,734 million and net assets of USD1,124 million. It made a net loss of USD130 million in the first half of the year.

BANK ICBC (JOINT STOCK COMPANY)

Bank ICBC (JSC), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a share capital of RUB10,810 million. It mainly provides a full spectrum of corporate banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consulting, as well as personal banking services. At the end of June 2019, Bank ICBC (JSC) recorded total assets of USD969 million and net assets of USD207 million. It generated a net profit of USD14.89 million in the first half of the year.

ICBC TURKEY BANK ANONIM ŞIRKETI

ICBC (Turkey), a subsidiary of the Bank in Turkey, has a share capital of TRY860 million, in which the Bank holds a 92.84% stake. It holds commercial banking, investment banking and asset management licenses, and provides corporate customers with comprehensive financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory, securities brokerage and asset management, and renders personal customers with financial services such as deposit, consumption loan, residential mortgages, credit card and E-banking. At the end of June 2019, ICBC (Turkey) recorded total assets of USD2,959 million and net assets of USD225 million. It generated a net profit of USD8.02 million in the first half of the year.

ICBC AUSTRIA BANK GmbH

ICBC (Austria), a wholly-owned subsidiary of the Bank in Austria, has a share capital of EUR100 million. ICBC (Austria) provides financial services such as corporate deposits, loans, trade finance, international settlement, cash management, cross-border RMB business, foreign exchange transactions, and financial advisory for cross-border investment and financing. At the end of June 2019, ICBC (Austria) recorded total assets of USD129 million and net assets of USD111 million. It generated a net loss of USD1.93 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA

ICBC (USA), a controlled subsidiary of the Bank in the United States, has a paid-up capital of USD369 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license registered in the UFIQAC, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, cross-border settlement, cash management, E-banking and bank card services. At the end of June 2019, ICBC (USA) recorded total assets of USD2,932 million and net assets of USD430 million. It generated a net profit of USD11.39 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, a wholly-owned subsidiary of the Bank in the United States, has a paid-up capital of USD50.00 million. It mainly specializes in securities clearing business in Europe and America, and offers securities brokerage services including securities clearing and financing for institutional customers. At the end of June 2019, ICBCFS recorded total assets of USD23,335 million and net assets of USD90 million. It made a net loss of USD14.10 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD208.00 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) provides corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing information consulting service. At the end of June 2019, ICBC (Canada) recorded total assets of USD1,541 million and net assets of USD258 million. It generated a net profit of USD10.53 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A.

ICBC (Mexico), a wholly-owned subsidiary of the Bank in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking license, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. At the end of June 2019, ICBC (Mexico) recorded total assets of USD242 million and net assets of USD72 million. It made a net loss of USD0.76 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A.

ICBC (Brasil), a wholly-owned subsidiary of the Bank in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. At the end of June 2019, ICBC (Brasil) recorded total assets of USD361 million and net assets of USD57 million. It generated a net profit of USD0.23 million in the first half of the year.

ICBC PERU BANK

ICBC (Peru), a wholly-owned subsidiary of the Bank in Peru, has a paid-up capital of USD100 million. Holding a full-functional commercial banking license, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading, E-banking and other services. At the end of June 2019, ICBC (Peru) recorded total assets of USD316 million and net assets of USD83 million. It generated a net profit of USD2.67 million in the first half of the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A.

ICBC (Argentina), a controlled subsidiary of the Bank in Argentina, has a share capital of ARS1,345 million, in which the Bank holds an 80% stake. With the full-functional commercial banking license, ICBC (Argentina) provides a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card, asset management, etc. At the end of June 2019, ICBC (Argentina) recorded total assets of USD4,453 million and net assets of USD510 million. It generated a net profit of USD147 million in the first half of the year.

◆ *Major Domestic Subsidiaries*

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a paid-up capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, non-listed asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry. ICBC Credit Suisse Asset Management (International) and ICBC Credit Suisse Investment Management Co., Ltd. are structured under ICBC Credit Suisse Asset Management. As of the end of June 2019, ICBC Credit Suisse Asset Management managed a total of 131 mutual funds and over 500 enterprise annuity accounts and segregated management accounts as well as non-listed assets and overseas portfolios, with the assets under management exceeding RMB1.2 trillion; it recorded total assets of RMB10,459 million and net assets of RMB8,592 million, and generated a net profit of RMB791 million in the first half of the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB18.0 billion. It mainly operates the financial leasing of large-scale equipment in critical fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing. It also engages in various financial and industrial services including leased assets trading, securitization of investment assets, assets management and economic consulting. At the end of June 2019, ICBC Leasing recorded total assets of RMB251,934 million and net assets of RMB34,626 million. It generated a net profit of RMB2,113 million in the first half of the year.

ICBC-AXA ASSURANCE CO., LTD.

ICBC-AXA, a subsidiary of the Bank, has a paid-up capital of RMB12,505 million, in which the Bank holds a 60% stake. ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by the CBIRC. At the end of June 2019, ICBC-AXA recorded total assets of RMB145,567 million and net assets of RMB14,112 million. It generated a net profit of RMB715 million in the first half of the year.

ICBC FINANCIAL ASSET INVESTMENT CO., LTD.

With a paid-in capital of RMB12.0 billion, ICBC Investment is a wholly-owned subsidiary of the Bank and one of the first pilot banks in China authorized by the State Council to conduct debt-for-equity swap. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. In 2018, ICBC Investment became the first licensed private equity fund manager to carry out debt-for-equity swap, and it established a private equity fund management subsidiary — ICBC Capital Management Co., Ltd. At the end of June 2019, ICBC Investment recorded total assets of RMB84,738 million and net assets of RMB13,671 million. It generated a net profit of RMB364 million in the first half of the year.

ICBC WEALTH MANAGEMENT CO., LTD.

ICBC Wealth Management, as a wholly-owned subsidiary of the Bank, has a paid-in capital of RMB16.0 billion. It mainly engages in the issuance of publicly offered wealth management products and privately placed wealth management products, wealth management consulting and other asset management services as well as other activities approved by CBIRC. At the end of June 2019, ICBC Wealth Management recorded total assets of RMB16,112 million and net assets of RMB16,081 million. It generated a net profit of RMB81 million in the first half of the year.

◆ *Major Equity Participation Company*

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.07% ordinary shares of Standard Bank. Based on mutual benefit and win-win cooperation, the two sides furthered their cooperation in equity cooperation, customer expansion, project financing, product innovation, risk management, IT and people-to-people exchange. At the end of June 2019, Standard Bank recorded total assets of ZAR2,210,251 million and net assets of ZAR204,510 million. It generated a net profit of ZAR13,195 million in the first half of the year.

RISK MANAGEMENT

Enterprise Risk Management System

In the first half of 2019, the Bank continued to improve the Group's enterprise risk management system by strengthening risk appetite transmission and limit management and control, promoting risk data governance and system building, and upgrading risk monitoring tools and measurement models, so as to make risk management more forward-looking and effective. The Bank improved the enterprise risk management system, implemented effective risk data aggregation and risk reporting management requirements. It enhanced research and analysis on cross risks, and pushed ahead with a system for monitoring cross risks of the Group. Efforts to build an investment and financing risk monitoring platform have been accelerated, and the goal of monitoring and warning risks arising from corporate customers involving different institutions, products and risks has been initially attained. The Bank reinforced its quantitative risk system, continued to upgrade risk measurement models for better application, enhanced the Group's consolidated risk management and boosted full and thorough management of subsidiaries.

Credit Risk

Credit Risk Management

The Bank adhered to serving the real economy with financial services, reasonably launched credit policies in major risk areas, and strengthened integrated management of credit risk on all fronts, further improving the credit risk management and control capability.

The Bank continued to improve the credit rules, and consolidated the basis for credit management. It revised the regulations on the uniform risk limit for investment and financing of corporate customers, taking all corporate customer businesses that may give rise to credit risks into consideration to tighten the overall management of corporate customers' credit limit. It continued efforts to improve regulations on the management of personal loan business, and further upgraded the differentiated approval mechanism in this regard.

The Bank strengthened the strategic guiding role of credit policy, and continued to improve its credit structure. It actively supported infrastructure projects under construction and major projects to strengthen areas of weakness, adapted to China's energy development architecture and followed the supply and demand trends. The Bank took active measures to support power grids, large hydropower and natural gas-based industrial chain projects, gave top priority to advancing high-quality development of manufacturing, focused on quality customers in key areas, and made active efforts to meet the financing demands of service industries striving to achieve consumption upgrade. Following the national strategy of advancing coordinated regional development, the Bank gave priority to the development and innovation of investment and financing activities in national strategic regions, such as the Guangdong-Hong Kong-Macau Greater Bay Area, Beijing-Tianjin-Hebei Integration, and Yangtze River Delta Integration. The Bank pursued a regionally differentiated credit management policy for its overseas institutions, based on their market position, financial resources and own service strengths.

The Bank strengthened risk management of the real estate industry. It continued to promote classification of the real estate market, put in place different standards on customer access across cities, and improved the intended use of new loans. On the premise of controlling the total amount of investment and financing of commercial real estate loans, the Bank implemented a differentiated credit policy, with a focus on supporting ordinary commercial housing projects aimed to satisfying rigid demands. Moreover, it strengthened credit compliance management in the real estate sector, strictly acted on the requirement of implementing closed management of property loans, and effectively prevented and controlled credit risk in this sector.

The Bank strengthened credit risk management of small enterprises. It established a risk prevention and control system covering the whole process including customer access, middle-office approval and post-lending management. It strictly controlled the quality of new loans, stepped up analysis and research on regional economic growth, industrial trend, and industrial prospect, and did a good job in target customer access management to prevent and control risk in advance. It improved the system for monitoring loan risks, constantly upgraded its risk monitoring model, and continued to strengthen monitoring on small and micro loan risks from multiple dimensions such as customers, products and regions. It also regularly inspected risks in existing loans, carried out classified risk prevention and mitigation, and adopted new ways of collecting and disposing NPLs in an effort to strengthen asset quality in all areas.

The Bank enhanced risk management of personal loans. It created a mechanism for precise management and control over personal loan asset quality, stepped up monitoring of changes in deviations from asset quality control indicators of key institutions and key areas, and focused on the process of asset quality management. Access to residential mortgages was tightened, and the Bank's cooperation with quality real estate developers has made further headway. The Bank initiated personal loan inspection, focused on areas with high risk, and examined key issues to ensure the authenticity of loans, compliance of business operation, and effectiveness of collateral management.

The Bank stepped up risk management of credit card business. It took more efforts to develop systems regarding credit risk management of credit card business, improved credit limit policy, refined differentiated credit limit management, and continued to push for an intensive transformation in the way that credit card business is examined and approved. It promoted the building of a big data-based risk control intelligence system for credit card business, put into use BLAZE, a smart decision-making engine, and developed a differentiated access model and strategy based on multiple-dimensional data. The Bank introduced in more data from external channels to strengthen system docking, promoted research and application of anti-fraud models and strategies for credit card business, and launched a new function to dynamically guard against fraud mobile device operations, so as to facilitate the sound growth of credit card business.

The Bank improved credit risk management of treasury operations. Based on the strict implementation of bank-wide, unified credit risk management policy requirements, the Bank strengthened pre-investment analysis and post-investment management on risk exposed to bond investment business, and intensified monitoring of existing business in key risk industries. It strictly implemented the regulatory requirements for money market transactions, improved mechanism on pre-lending risk monitoring, strengthened pre-access examination of counterparties, improved management throughout the term of business, paid close attention to the change of counterparties' qualification and all types of market information, and took prospective measures to prevent risks. The Bank actively promoted the negotiation and signing of ISDA, NAFMII and other legal agreements in the derivatives market, strictly managed and controlled the counterparty credit limit through the Global Financial Market Transaction platform, and strengthened regular monitoring and positive management of client margins and credit limit.

Credit Risk Analysis

At the end of June 2019, the maximum credit risk exposure without taking account of any collateral and other credit enhancements reached RMB32,212,950 million, representing an increase of RMB2,030,198 million compared with the end of the previous year. Please refer to "Note 44.(a)(i) to the Financial Statements: Maximum Exposure to Credit Risk without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio, please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation".

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

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

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

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

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

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

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

In RMB millions, except for percentages

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

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

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

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

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

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

Note: Please see "Note 17. to the Financial Statements: Loans and Advances to Customers" for details.

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

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

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

OVERDUE LOANS

In RMB millions, except for percentages

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

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

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

RESCHEDULED LOANS

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

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.5% and 12.9% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single customers was RMB367,756 million, accounting for 2.26% of the total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of June 2019.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	99,664	0.61
Borrower B	Transportation, storage and postal services	43,565	0.27
Borrower C	Transportation, storage and postal services	43,103	0.26
Borrower D	Manufacturing	42,386	0.26
Borrower E	Transportation, storage and postal services	34,260	0.21
Borrower F	Production and supply of electricity, heat, gas and water	22,443	0.14
Borrower G	Transportation, storage and postal services	21,783	0.13
Borrower H	Manufacturing	20,425	0.13
Borrower I	Transportation, storage and postal services	20,095	0.12
Borrower J	Transportation, storage and postal services	20,032	0.12
Total		**367,756**	**2.26**

Note: Due to rounding, percentages presented herein are for reference only.

Large Exposures Management

The Bank actively established and improved the management and organization structure and system for large exposures, formulated relevant regulations and policies, and clarified requirements on management structure, related customer management, internal limit management, calculation method and statistical report related to large exposures management. Efforts were also made to promote the information system to effectively manage the Bank's large exposures.

Risk Management for Asset Management

The Bank actively implemented the requirements of New Rules on Asset Management, continued to develop a system for managing asset management business risk, and effectively promoted the sound development of asset management business. The Bank revised fundamental administrative policies for non-standard agency investment business, and strengthened the refined and differentiated management of public entrusted loans and other key businesses. It improved the approval authorization for agency investment risk, and built a comprehensive non-standard risk management system for differentiated management of the Group. Efforts were made to build an IT system for asset management business, continuously improve its system function, and strengthen differentiated and systematic management to cover the whole-process of agency investment business. As a result, the Bank's ability to manage and control risks through the system has seen further progress.

The Bank strengthened the whole-process risk management of asset management business, and took initiative to fully implement the requirements of New Rules on Asset Management. The Bank carried out full and thorough management of its wealth management business, and developed transaction monitoring at grass-root outlets. It tightened examination on new investment, and upgraded rating models with a view to covering all credit bond issuers in the market. Intensified efforts were made to review and manage external transactions, continuously improve contract examination in a more systematic way, and standardize the selection and management of cooperative institutions. Focusing on risk inspection and post-investment management, the Bank continued to improve the monitoring and early warning of high-risk investment, developed more monitoring methods, expanded its access to information, built a forward-looking mechanism for monitoring changes in bond rating, monitored the net value of investment portfolio, and conducted performance analysis. It also strengthened closed-loop monitoring for capital flows of wealth management business, and pushed ahead with analysis on the customers of wealth management products.

For credit risk capital measurement, please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation".

Market Risk

The Bank continued to strengthen the Group's market risk management, improve regulations on market risk at the Group's level, and advanced market risk management and control of overseas institutions. It improved the group-wide market risk appetite and risk limit transmission mechanism, carried out forward-looking analysis on the Group's interest rate risk and currency risk, and improved regulations on market data quality management. The Bank pushed ahead with the market risk management system for better performance, enhanced upgrade, management and application of functions such as stress testing, and pushed forward the overseas expansion and promotion of the Global Market Risk Management (GMRM) system.

Management of Market Risk in the Trading Book

The Bank continued to strengthen trading book market risk management and product control, adopted the value-at-risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. It continued to improve the portfolio-based market risk limit management system, refined the limit indicator system and dynamic management mechanism to meet the requirements of new products and businesses for timeliness, and realized quick and flexible limit monitoring and dynamic adjustments based on the Global Market Risk Management system. For VaR of the trading book, please refer to "Note 44. (c)(i) to the Financial Statements: VaR".

Currency Risk Management

The Bank closely watched the changes in external environment and market conditions, actively took a combination of measures such as limit management and hedging of risks to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and strengthened assets and liabilities currency structure management and capital fund preservation management of overseas institutions. The currency risk of the Bank was under control.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	At 30 June 2019		At 31 December 2018	
Item	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	351,564	51,209	327,917	47,729
Exposure of off-balance sheet foreign exchange items, net	(168,334)	(24,520)	(157,647)	(22,946)
Total foreign exchange exposure, net	**183,230**	**26,689**	**170,270**	**24,783**

Please refer to "Note 44. (c)(ii) to the Financial Statements: Currency Risk" for the exchange rate sensitivity analysis.

Please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation" for further information on market risk capital measurement.

Interest Rate Risk in the Banking Book

Upholding a steady and prudent risk appetite, the Bank put in place sound interest rate management strategy, applied a combination of quantity, pricing and derivative instruments regarding assets and liabilities based on interest rate and business trends to carry out interest rate risk management, and intensified efforts to regulate and control the duration of assets and liabilities, so as to effectively control the changes in overall income and economic value of its equity. The Bank continued efforts to improve and strengthen the regulations and institutions regarding interest rate risk management at the Group's level, continuously enhanced the management system and mechanism building, and pushed ahead with system building and model management to shore up the Group's foundation for interest rate risk management.

Analysis on Interest Rate Risk in the Banking Book

- *Interest Rate Exposure Analysis*

At the end of June 2019, the Bank had a positive cumulative interest rate sensitivity exposure within one year of RMB431,282 million, representing an increase of RMB957,132 million from the end of the previous year, mainly resulted from the increase in repriced or matured loans and advances to customers within one year. It had a positive cumulative interest rate sensitivity exposure above one year of RMB1,873,792 million, representing a decrease of RMB869,315 million, mainly due to the increase in repriced or matured due to customers above one year.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 30 June 2019	(5,166,579)	5,597,861	124,498	1,749,294
At 31 December 2018	(133,897)	(391,953)	1,058,350	1,684,757

Note: Please refer to "Note 44.(d) to the Financial Statements: Interest Rate Risk in the Banking Book" for details.

Please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation" for further information on interest rate sensitivity analysis in the banking book.

Liquidity Risk

The Bank continued to uphold a steady and prudent liquidity risk management strategy, made all-round efforts to manage liquidity risk, and took measures to see that the Group's liquidity is stable and safe. The Bank constantly strengthened liquidity risk management in key links and major areas, and improved regulations to consolidate the foundation for better managing liquidity risk. It kept making more efforts to improve the total size and structure of the fund sources and utilization, so as to strike a balance between managing liquidity risk and achieving profit. It strengthened monitoring over key businesses, customers and funds to ensure sound liquidity risk management during payment peak times, national holidays and critical times. Based on these efforts, the Bank's liquidity risk management system was improved steadily, with more automatic supporting system for monitoring, measuring and managing liquidity risks, so as to boost refined management of liquidity risk.

Liquidity Risk Analysis

At the end of June 2019, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 45.5% and 93.2% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 68.5%. Please refer to the section headed "Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements" for details.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the second quarter of 2019, the net stable funding ratio was 128.36%, 1.26 percentage points higher than that at the end of the previous quarter, mainly because the Bank continuously strengthened the coordinated management on the Group's liquidity so that the stable funding source maintained stable growth. For the quantitative information for net stable funding ratio in accordance with Disclosure Rules on Net Stable Funding Ratio of Commercial Banks promulgated by CBIRC, please refer to the section headed "Unaudited Supplementary Financial Information".

The daily average liquidity coverage ratio for the second quarter of 2019 was 130.01%, 5.37 percentage points higher than the previous quarter, mainly attributable to the increase in the Bank's eligible high-quality liquid assets and cash inflows within 30 days. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio in accordance with Guidelines on the LCR Disclosure of Commercial Banks promulgated by the former CBRC, please refer to the section headed "Unaudited Supplementary Financial Information".

The Bank also assessed its liquidity risk profile by using liquidity exposure analysis. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level. At the end of June 2019, the negative liquidity exposure for the 1 to 3 months category decreased, mainly due to the increase of matured assets with corresponding term. The negative liquidity exposure for the 3 months to 1 year category decreased, mainly caused by the decrease of matured due to customers and the increase of matured loans and advances to customers with corresponding term. The positive liquidity exposure for the 1 to 5 years category decreased, mainly due to the increase of matured due to customers with corresponding term. The positive liquidity exposure for the category of over 5 years expanded, which was mainly caused by the increase in matured loans and advances to customers and investments in bonds with corresponding term.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
At 30 June 2019	(12,620,993)	474,531	(467,825)	(1,416,994)	3,800,429	9,347,766	3,311,981	2,428,895
At 31 December 2018	(12,057,413)	432,760	(674,702)	(1,884,799)	4,412,116	8,793,935	3,322,986	2,344,883

Note: Please refer to "Note 44.(b) to the Financial Statements: Liquidity Risk" for details.

Internal Control and Operational Risk

Internal Control

The Bank continually refined its internal control mechanism and actively improved its internal control management. It continued to formulate and improve the internal control manual, promoted the application of regulations and systems in overseas institutions, revised the internal control assessment methods of domestic branches and sub-branches, and further improved the internal control assessment instruments for better accuracy and higher value. To improve the Group's compliance management level on an on-going basis, the Bank strengthened the performing of duties in compliance of the first line of defense, improved the mechanism for managing compliance managers, and pushed forward training to build a professional compliance team. Moreover, the Bank pushed ahead with a mechanism for long-term overseas compliance management, explored to manage and control overseas institutions' compliance practice based on their location and grade, and strengthened compliance supervision and guidance in key institutions.

Operational Risk Management

The Bank continued to push the Group's operational risk management and control to a higher level in line with the regulatory focus and operational risk trends. It took active measures to implement rectification as required by CBIRC, continued to promote risk governance in eight major businesses such as credit and asset disposal to improve and update policies, procedures, systems and mechanisms. It reinforced operational risk limit management by putting risk indicators into use and make productive monitoring and reporting. Pursuant to regulatory requirements, the Bank refined the operational risk management system, intensified operational risk event management and control, and strictly controlled events that may be punished by regulators, so as to continuously strengthen the application of operational risk management tools and data quality management. During the reporting period, the operational risk management system of the Bank operated smoothly and the operational risk was controllable on the whole.

Legal Risk

The Bank constantly improved its capacity to prevent and control legal risk, and made continuous efforts to improve the full-process legal risk prevention and control mechanism in a systematic manner. Following the current financial regulatory requirements, the Bank advanced the prevention, control and mitigation of relevant legal risks in key fields and links, put in place and improved a well-conceived mechanism for electronic signing system, and made continuous efforts to make risk management and control more procedure-based, and build a better-structured system.

Anti-Money Laundering

In strict compliance with anti-money laundering ("AML") laws and regulations of China and host countries (regions) of overseas institutions, the Bank fully implemented the "risk-based" regulatory requirements in respect of AML, earnestly fulfilled the legal obligations and social responsibilities concerning AML, and focused efforts on consolidating and enhancing the Group's AML management level. The Bank promoted customer identification, and heightened identification requirements and management and control for high-risk customers. Meanwhile, it strengthened AML management of key institutions in Europe and America, so as to build a long-term AML compliance mechanism for overseas institutions. The AML system has become smarter in an orderly way, coupled with on-going off-site supervision, the Bank's ability to better monitor and analyze AML compliance management of its domestic and overseas institutions has been improved. The Bank steadily carried out customer money laundering risk classification and new product money laundering risk assessment, and proactively promoted the application of AML management progress in all businesses. Moreover, it strengthened AML staffing, and stepped up training for AML compliance personnel to enhance their compliance awareness, professionalism and performance capability.

Please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation" for further information on operational risk capital measurement.

Reputational Risk

The Bank took active and forward-looking measures to guard against reputational risk in a timely manner, and improved its ability to better manage reputational risk. It upgraded the reputational risk management mechanism, fully carried out identification, assessment, monitoring, control, mitigation and evaluation of reputational risk, to conduct in-depth inspection on reputational risk, put in place reputational risk management ledger at all levels, and strengthened prior control and mitigation of risk factors. It also organized training and emergency drill to better manage reputational risk it confronted. The Bank took the initiative to engage in international communication, and actively responded to public concerns, so as to maintain and enhance the Bank's reputation. During the reporting period, the Bank's reputational risk was controllable with no material reputational risk event occurred.

Country Risk

In the first half of 2019, facing the increasingly complicated international political and economic environment, the Bank continued to enhance country risk management. It continuously improved the policies and procedures for country risk management; closely watched changes in country risk exposures, constantly tracked, monitored and reported country risks; and timely updated and adjusted the country risk rating and limits. It also conducted stress tests on country risk actively, strengthened early warning for country risks, and effectively controlled country risks while pushing ahead with the internationalization strategy.

CAPITAL MANAGEMENT

The Bank further deepened the capital management reform, strengthened capital saving and optimization, intensified the constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency and return on capital. It steadily enhanced the supplementation capacity of endogenous capital, and further consolidated the bank-wide capital base to reinforce its capacity in supporting the real economy. During the reporting period, the Bank's capital indicators performed well, of which capital adequacy ratio was kept at a sound and appropriate level.

Capital Adequacy Ratio and Leverage Ratio

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

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

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

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

Notes: (1) Please refer to "Note 44.(e) to the Financial Statements: Capital Management" for details.

(2) Refers to risk-weighted assets after capital floor and adjustments.

For more information of capital measurement of the Bank, please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation".

LEVERAGE RATIO

In RMB millions, except for percentages

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

Note: Please refer to the section headed "Unaudited Supplementary Financial Information" for details on disclosed leverage ratio information.

Capital Financing Management

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

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

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

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

OUTLOOK

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

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

- **First**, committed to basing the Bank on service. The Bank will play a leading and backbone role in serving the needs of the real economy and Chinese people. At the same time, it will push forward the financial supply-side structural reform, render inclusive finance and private companies with what they need exactly, and bring finance and real economy under a virtuous circle. Furthermore, it will work hard to adapt to, lead and create customers' needs, in a bid to develop into a bank of people's satisfaction.

- **Second**, committed to defining the Bank with value. The Bank will keep closely aware of the rules underpinning economic and social development, technological change and operation of commercial banks, adapt itself to the overall trend of advocating creation, innovation and original ideas, and strive to secure more phenomenal and signature innovative achievements. Meanwhile, it will push forward the institutional reform, unleash the vitality and efficiency of various business entities, and get more benefit out of sophisticated management.

- **Third**, committed to empowering the Bank with technology. The Bank will embrace the future, forge an open ecology, and seek for agile development and intelligent operation. Embracing FinTech in a more open, inclusive and progressive manner, it will transform every aspect of the traditional financial system toward intelligent operation with new technologies and modes. Meanwhile, it will endeavor to create a financial ecology that advocates openness, cooperation and a win-win outcome, thus becoming a trendsetter and pioneer of smart finance.

- **Fourth**, committed to worldwide operations. The Bank will take the initiative to get itself involved in the state's big picture of reform and opening-up, further promote the international development with the intensified top-level design and overall coordination, and increase the ability to pool together capital available all over the world, and do better in allocating cross-border resources. While integrating its operations at home and abroad for joint actions, it will seek for localized, featured and professional development, realize one-click access and global response, and embark on a new journey toward international development.

- **Fifth**, committed to escorting the Bank with risk control efforts. The Bank will better combine the prevention and mitigation of financial risks with the provision of services for the real economy, enhance the capability to proactively manage credit and dispose of non-performing assets, properly manage liquidity risk and market risk, continue to intensify the management of compliance risk, AML risk and reputational risk existing globally, and set the example of a large bank in compliant and robust operation.

- **Sixth**, committed to talent-driven development. The Bank will establish a strategy of driving development with professionals, put in place a sound mechanism of employee selection and recruitment, emphasize personnel cultivation and development, attach equal importance to management and care, and endeavour to build the teams of high-caliber professional personnel who are loyal, faithful, and responsible. Additionally, it will care for employees for real, and further ignite their enthusiasm for work and entrepreneurship bank-wide.

OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

Major Regulatory Indicators

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

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

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

Corporate Bonds

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

Information Disclosed Pursuant to the Capital Regulation

Capital Adequacy Ratio

Scope of Capital Adequacy Ratio Calculation

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

Results of Capital Adequacy Ratio Calculation

In RMB millions, except for percentages

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

Note: Please refer to the section headed "Discussion and Analysis — Capital Management" for the Group's capital adequacy ratio at the end of the reporting period.

Measurement of Risk-Weighted Assets

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

RISK-WEIGHTED ASSETS

In RMB millions

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

Credit Risk

CREDIT RISK EXPOSURE

In RMB millions

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

Please refer to the section headed "Discussion and Analysis — Risk Management" for overdue loans, NPLs and provision for loan impairment of the Bank at the end of the reporting period.

Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

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

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

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

VALUE AT RISK (VAR)

In RMB millions

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

Operational Risk

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

Interest Rate Risk in the Banking Book

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

In RMB millions

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

Equity Risk in the Banking Book

In RMB millions

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

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

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

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2018		Increase/decrease during the reporting period	At 30 June 2019	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	–	–	–	–	–
II. Shares not subject to restrictions on sales	356,406,257,089	100.00	–	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	–	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	–	86,794,044,550	24.35
III. Total number of shares	356,406,257,089	100.00	–	356,406,257,089	100.00

Note: "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding (Revision 2007) of CSRC.

Number of Shareholders and Particulars of Shareholding

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

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

Unit: Share

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

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

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

(3) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Both "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividends Distribution — Dividends Distribution to Individuals — 005L — FH002 Hu" are managed by China Life Insurance Company Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

(4) HKSCC Nominees Limited held 86,150,196,660 H shares and Hong Kong Securities Clearing Company Limited held 1,024,403,066 A shares.

Changes of the Controlling Shareholders and De Facto Controller

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

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

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

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares[3] (%)	Percentage of total ordinary shares[3] (%)
MOF[1]	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Huijin[2]	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2019, MOF held 123,316,451,864 shares in the Bank.

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

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

HOLDERS OF H SHARES

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

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

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

Preference Shares

Issuance and Listing of Preference Shares in Latest Three Years

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

Issuance Plan of Preference Shares

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

Changes in Preference Shares

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

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

Unit: Share

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

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

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

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

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

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

Unit: Share

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

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

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

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

Dividend Distribution of Preference Shares

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

Redemption or Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and Rationale

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

Directors, Supervisors, Senior Management, Employees and Institutions

Basic Information on Directors, Supervisors and Senior Management

As at the disclosure date of the results, the composition of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank is as follows:

The Board of Directors of the Bank consists of 15 directors, including four Executive Directors: Mr. Chen Siqing, Mr. Gu Shu, Mr. Hu Hao and Mr. Tan Jiong; five Non-executive Directors: Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Dong Shi, Mr. Ye Donghai and Mr. Lu Yongzhen; and six Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu.

The Board of Supervisors of the Bank consists of five members, including one Shareholder Supervisor, namely Mr. Zhang Wei, two Employee Supervisors, namely Mr. Hui Ping and Mr. Huang Li, and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

The Bank has six Senior Management members, namely Mr. Chen Siqing, Mr. Gu Shu, Mr. Hu Hao, Mr. Tan Jiong, Mr. Wang Bairong and Mr. Guan Xueqing.

During the reporting period, the Bank did not implement any share incentives. None of the existing Directors, Supervisors and Senior Management members of the Bank or those who left office during the reporting period held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

Appointment and Removal

◆ *Directors*

At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Fred Zuliu Hu was elected as Independent Non-executive Director of the Bank, and his qualification was approved by CBIRC in April 2019. On 29 April 2019, the Board of Directors nominated Mr. Chen Siqing as the candidate for Executive Director of the Bank and elected him as Chairman of the Board of Directors of the Bank, and his term of office as Chairman commenced upon the consideration and approval of his appointment as Executive Director at the Shareholders' General Meeting of the Bank. At the First Extraordinary General Meeting of 2019 held on 20 May 2019, Mr. Chen Siqing was elected as Executive Director of the Bank, in accordance with the relevant regulations, and his term of office as Executive Director of the Bank commenced on the day when his appointment was approved at the Shareholders' General Meeting, and his appointment as Chairman of the Board of Directors took effect simultaneously; Mr. Hu Hao and Mr. Tan Jiong were elected as Executive Directors of the Bank, and their qualifications were approved by CBIRC in June 2019 respectively. At the Annual General Meeting for the Year 2018 held on 20 June 2019, Mr. Yang Siu Shun was elected as Independent Non-executive Director of the Bank, and his new term of office started from the day of approval at the Annual General Meeting; Mr. Lu Yongzhen was elected as Non-executive Director of the Bank, and his qualification was approved by CBIRC in August 2019.

In January 2019, Mr. Yi Huiman ceased to act as Chairman and Executive Director of the Bank due to change of job assignments. In April 2019, Mr. Cheng Fengchao ceased to act as Non-executive Director of the Bank due to his age. In April 2019, Mr. Hong Yongmiao ceased to act as Independent Non-executive Director of the Bank due to expiration of his term of office.

◆ *Supervisors*

At the Annual General Meeting for the Year 2018 held on 20 June 2019, Mr. Zhang Wei was elected as Shareholder Supervisor of the Bank, and his new term of office started from the day of the expiration of his last term of office as Shareholder Supervisor; Mr. Shen Bingxi was elected as External Supervisor of the Bank, and his new term of office started from the day of the expiration of his last term of office as External Supervisor. At the special meeting of the first session of employee representative assembly of the Bank held on 21 June 2019, Mr. Huang Li was elected as Employee Supervisor of the Bank, and his new term of office started from the day of approval by the employee representative assembly.

Changes in Information of Directors and Supervisors

Since August 2019, Mr. Dong Shi, Non-executive Director of the Bank, has acted as Chairman and Executive Director of China Jianyin Investment Limited. Since June 2019, the Bank's Independent Non-executive Director Mr. Yang Siu Shun ceased to serve as Vice Chairman and member of the Council of the Open University of Hong Kong. Ms. Sheila Colleen Bair, Independent Non-executive Director of the Bank, has acted as a Director of Federal National Mortgage Association since August 2019.

Basic Information on Employees and Institutions

As at the end of June 2019, the Bank had a total of 439,150 employees, representing a decrease of 10,146 as compared with the end of the previous year. Among them, 6,402 employees were in domestic subsidiaries and 15,790 employees were in overseas institutions.

As at the end of June 2019, the Bank had a total of 16,799 institutions, representing a decrease of 21 as compared with the end of the previous year. Among them, there were 16,371 domestic institutions and 428 overseas ones.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

Item	Assets (in RMB millions)	Percentage (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	11,359,666	37.9	29	0.2	17,061	3.9
Yangtze River Delta	5,174,426	17.3	2,521	15.0	60,533	13.8
Pearl River Delta	3,252,602	10.8	2,028	12.1	48,346	11.0
Bohai Rim	3,749,475	12.5	2,729	16.2	69,210	15.8
Central China	2,725,511	9.1	3,525	21.0	86,824	19.8
Western China	3,470,400	11.6	3,749	22.3	89,274	20.3
Northeastern China	1,049,732	3.5	1,658	9.9	45,710	10.4
Overseas and others	3,895,410	13.0	560	3.3	22,192	5.0
Eliminated and undistributed assets	(4,686,746)	(15.7)				
Total	**29,990,476**	**100.0**	**16,799**	**100.0**	**439,150**	**100.0**

Note: Overseas and other assets include investments in associates and joint ventures.

Corporate Governance

Corporate Governance and Measures for Improvement

During the reporting period, the Bank strictly complied with relevant laws and regulations and continued to improve its corporate governance on the basis of the Bank's situation.

The Bank improved the structure and relevant mechanisms of the Board of Directors. During the reporting period, the Bank appointed and re-appointed some directors and changed the chairman and members of some special committees of the Board of Directors in accordance with laws to ensure the Bank's Board of Directors is structured in compliance with laws and regulations, and further leverage the role of special committees as advisor in decision-making. It actively adapted to the changes in regulatory rules, continued to improve the decision-making mechanism and procedure of the Board of Directors, and focused on directors' research and special study. It improved the duty performance mechanism of the Board of Directors, and ensured the Board of Directors reviewed the relevant important matters in time and performed its duties legally and compliantly.

The Bank attached great importance to the Board of Supervisors' duty of supervision. Centering on its priorities, the Bank strengthened supervision on all fronts to effectively leverage the role of the Board of Supervisors in corporate governance.

The Bank reinforced the enterprise risk management, pressed ahead with the implementation of the latest regulatory requirements, and enhanced the building of the three lines of defense mechanism in risk management. It improved the management over risk appetite and risk limit, strengthened the monitoring of cross-financial risks, coordinated risk management and control of on-balance sheet and off-balance sheet risks, domestic and overseas risks, and existing volume and incremental volume. It carried out risk-oriented audit activities, and kept enhancing its audit service capabilities and specialism.

The Bank continuously improved the Group's transparency. It disclosed information in a legal and compliant manner, promoted voluntary information disclosure, and effectively protected the legitimate rights and interests of investors and other stakeholders. It continued to step up warning on compliance and supervision to consistently improve the Group's information disclosure management.

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

Shareholders' General Meeting During the reporting period, the Bank convened the First Extraordinary General Meeting of 2019 on 20 May 2019 and the Annual General Meeting for the Year 2018 on 20 June 2019. The above meetings were convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank disclosed relevant announcements of resolutions and legal opinions in a timely manner in accordance with regulatory requirements. For details of the meetings, please refer to the announcements of the Bank dated 20 May 2019 and 20 June 2019 respectively on the websites of SSE, the "HKEXnews" of HKEX and the Bank.

Profits and Dividends Distribution

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

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

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

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing business growth of the Bank.

For future development and planning disclosed in the public disclosure documents such as previous offering prospectuses and fundraising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.

Material Legal Proceedings and Arbitration

The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank to recover non-performing loans. The rest are mainly related to disputes with clients. As at 30 June 2019, the amount of pending proceedings in which the Bank and/or its subsidiaries acted as defendants totaled RMB4,262 million. The Bank does not expect any material adverse effect from the above-mentioned pending legal proceedings on the Bank's business, financial position or operating results.

Credit Standing

During the reporting period, there had not been any significant court judgment with which the Bank and its controlling shareholders have not complied, nor was there any outstanding debt of significant amount.

Material Assets Acquisition, Sale and Merger

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

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 42. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws and regulations of China and the relevant accounting standards.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets, which were subject to disclosure.

Material Guarantees The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and the CBIRC.

Commitments

As at 30 June 2019, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/No specific term November 2010/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share) Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will: (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	As at 30 June 2019, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.

Disciplinary Actions During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and controlling shareholders was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transferred to judicial authorities or charged for criminal responsibility, case filing investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, major penalty by other administrative authorities of environmental protection, taxation, safety supervision, etc. or public reprimand by the stock exchanges.

Purchase, Sale and Redemption of Shares During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Bank.

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

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at 30 June 2019, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register 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 as set out in Appendix 10 to the Hong Kong Listing Rules.

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period

During the reporting period, the Bank did not implement any share incentive plan or any employee stock ownership plan.

Performance of the Targeted Poverty Relief Social Responsibility

The Bank took poverty relief as an important part of fulfilling its social responsibilities, insisted on the basic principle of targeted poverty relief and elimination, established the Leading Group for Poverty Relief through Finance and continued to enhance the group's function, and improved the poverty relief mechanism. It applied innovative approaches to make progress in poverty relief, kept enhancing the financial support and poverty relief efforts well targeted at the needs of poverty-stricken areas and made endeavors to play its due role in fighting against poverty.

Poverty relief through finance. The Bank sought breakthroughs mainly in institutional building, loan granting for poverty relief, new poverty relief model exploration and comprehensive financial services, etc., to cater for the financial demand of poverty-stricken areas, and made all-out efforts to promote finance-supported targeted poverty relief in the new era, so as to see to it that finance played a larger role in poverty relief.

Poverty relief through industries. The Bank provided financial support to special industries in poverty-stricken areas, and helped poor households increase income and shake off poverty. In areas of targeted poverty relief, the Bank carried out the industry-based poverty relief model combining ICBC, the government, the village's Party committee and autonomous committee, enterprises and the poor households together, and fostered a group of characteristic industrial projects with growing vitality and demonstration effects in strict accordance with the principle of targeted poverty relief. By leveraging its platform "ICBC Mall", the Bank put in place an ecological chain of poverty relief through industries that integrated large banks, central media, logistical channels, operations and direct selling. It created an online supply chain financing model integrating enterprises and farmers, thus extending the agricultural industrial chain to provide finance for terminal farmers and poor households.

Poverty relief through education. The Bank continued its efforts in brand sponsorship projects, for example, commending excellent teachers of the Candle Program, extending financial support to college students of the Sailing Program, and recruiting outstanding college students from poor households, in an effort to strengthen poverty relief through education.

Poverty relief through healthcare. The Bank launched the medical security program in rural areas, upgraded clinics and trained doctors for four counties and cities of targeted poverty relief, and strengthened primary-level healthcare in poverty-stricken areas.

Consumption-based poverty relief. The Bank fully tapped into its E-commerce platform "ICBC Mall", improved poverty-relief stores and set up targeted poverty relief zone on the platform, in a bid to promote sales of agricultural products in poverty-stricken areas.

Providing focused assistance to areas of extreme poverty. Besides providing more quality resources and favorable policies to Jinyang, a county of extreme poverty, the Bank also gave it top priority when it came to arranging new funds and implementing projects for fighting against poverty.

TARGETED POVERTY RELIEF ACHIEVEMENTS

In RMB10,000

Item	Amount
Balance of loans[1]	16,517,099.20
Including: Loan of industry targeted poverty relief	3,725,081.56
Loan of project targeted poverty relief[2]	6,311,323.41
Including: Rural transport facilities	61,398.00
Upgrading of rural power network	232,692.17
Rural water conservancy facilities	790,710.91
Rural education loan	227,371.00

Notes: (1) The data is disclosed in accordance with the statistical standard as stipulated by CBIRC.

(2) According to relevant regulations of PBC, loans for building roads in areas above the county level are no longer included in loans for transport facilities.

Green and Environment Protection

The Bank regarded green credit strengthening as a key strategy for long-term pursuit. It comprehensively carried out green credit from the aspects of credit policy, management process, business innovation and its own performance, gave full support to the development of green industries, and reinforced the prevention and control of environmental and social risks. At the end of June 2019, the balance of domestic green credit was RMB1,299,420 million, RMB61,662 million or 4.98% higher than that at the end of the previous year.

The Bank advocated green office and continuously promoted low-carbon operation, by constantly enriching the functions of the office IT system, actively promoting the paperless office operation, and having meetings go paperless. In the meantime, it took a further step to tighten the car use system, and continued to develop the diversified official car use system, so as to promote green travel. The Bank advocated water conservation, strengthened energy consumption control, and carried out the voluntary tree planting initiatives constantly. With these endeavors, it improved the ecological environment and raised the awareness of environmental protection among its employees.

Establishment of ICBC Wealth Management and ICBC Technology

ICBC Wealth Management and ICBC Technology were put into operation during the reporting period. Please refer to the announcements published by the Bank on the websites of "HKEXnews" of HKEX and SSE.

Please refer to the section headed "Discussion and Analysis — Business Overview" for the details on the business development of these subsidiaries.

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

Review of the Interim Report

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

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

Warning and Explanation on the Prediction that the Accumulated Net Profits from the Beginning of the Year to the End of the Next Reporting Period May Be Negative or Have Substantial Changes Compared to the Same Period of Last Year Not applicable.

Review Report and Interim Financial Report

- Review Report
- Interim Financial Report
- Unaudited Supplementary Financial Information

CONTENTS

To the board of directors of Industrial and Commercial Bank of China Limited

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

Introduction

We have reviewed the interim financial report set out on pages 83 to 185, which comprises the consolidated statement of financial position of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2019 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the six month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, 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 International 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 report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2019

Unaudited Interim Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Interest income	3	508,157	456,807
Interest expense	3	(208,856)	(179,191)
NET INTEREST INCOME	3	299,301	277,616
Fee and commission income	4	95,248	87,703
Fee and commission expense	4	(6,747)	(8,443)
NET FEE AND COMMISSION INCOME	4	88,501	79,260
Net trading income	5	5,873	3,044
Net (loss)/gain on financial investments	6	(3,424)	1,929
Other operating income/(expense), net	7	3,952	(547)
OPERATING INCOME		394,203	361,302
Operating expenses	8	(87,154)	(81,958)
Impairment losses on assets	9	(99,180)	(83,458)
OPERATING PROFIT		207,869	195,886
Share of profits of associates and joint ventures		1,340	1,330
PROFIT BEFORE TAXATION		209,209	197,216
Income tax expense	10	(40,519)	(36,559)
PROFIT FOR THE PERIOD		168,690	160,657
Attributable to:			
Equity holders of the parent company		167,931	160,442
Non-controlling interests		759	215
Profit for the period		168,690	160,657
EARNINGS PER SHARE			
— Basic (RMB yuan)	12	0.47	0.45
— Diluted (RMB yuan)	12	0.47	0.45

Details of the dividends declared and paid or proposed are disclosed in note 11 to this interim financial report.

The notes on pages 92 to 185 form part of this interim financial report.

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

For the six months ended 30 June 2019
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Profit for the period		168,690	160,657
Other comprehensive income (after tax, net):	33		
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income		783	329
Other comprehensive income recognised under equity method		5	6
Others		0	(3)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income		3,994	11,944
Credit losses of debt instruments measured at fair value through other comprehensive income		(41)	(1,434)
Reserve from cash flow hedging instruments		(643)	(40)
Other comprehensive income recognised under equity method		(356)	395
Foreign currency translation differences		1,011	(2,359)
Others		(9)	(230)
Subtotal of other comprehensive income for the period		4,744	8,608
Total comprehensive income for the period		173,434	169,265
Total comprehensive income attributable to:			
Equity holders of the parent company		172,689	169,083
Non-controlling interests		745	182
		173,434	169,265

The notes on pages 92 to 185 form part of this interim financial report.

Unaudited Interim Consolidated Statement of Financial Position

As at 30 June 2019
(In RMB millions, unless otherwise stated)

	Notes	30 June 2019 (unaudited)	31 December 2018 (audited)
ASSETS			
Cash and balances with central banks	13	3,993,112	3,372,576
Due from banks and other financial institutions	14	955,009	962,449
Derivative financial assets	15	61,598	71,335
Reverse repurchase agreements	16	954,807	734,049
Loans and advances to customers	17	15,854,208	15,046,132
Financial investments	18	7,219,097	6,754,692
— Financial investments measured at fair value through profit or loss		889,923	805,347
— Financial investments measured at fair value through other comprehensive income		1,472,624	1,430,163
— Financial investments measured at amortised cost		4,856,550	4,519,182
Investments in associates and joint ventures	19	29,837	29,124
Property and equipment	20	285,428	290,404
Deferred income tax assets	21	58,957	58,375
Other assets	22	578,423	380,404
TOTAL ASSETS		**29,990,476**	**27,699,540**

The notes on pages 92 to 185 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

	Notes	30 June 2019 (unaudited)	31 December 2018 (audited)
LIABILITIES			
Due to central banks		1,232	481
Financial liabilities designated as at fair value through profit or loss	23	92,805	87,400
Derivative financial liabilities	15	78,553	73,573
Due to banks and other financial institutions	24	2,184,550	1,814,495
Repurchase agreements	25	281,796	514,801
Certificates of deposit	26	361,971	341,354
Due to customers	27	23,125,437	21,408,934
Income tax payable		55,729	84,741
Deferred income tax liabilities	21	1,936	1,217
Debt securities issued	28	775,410	617,842
Other liabilities	29	602,162	409,819
TOTAL LIABILITIES		**27,561,581**	**25,354,657**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	30	356,407	356,407
Other equity instruments	31	86,051	86,051
Reserves	32	686,396	680,877
Retained profits		1,284,522	1,206,666
		2,413,376	2,330,001
Non-controlling interests		15,519	14,882
TOTAL EQUITY		**2,428,895**	**2,344,883**
TOTAL EQUITY AND LIABILITIES		**29,990,476**	**27,699,540**

Chen Siqing
Chairman

Gu Shu
Vice Chairman and President

Zhang Wenwu
General Manager of Finance and Accounting Department

The notes on pages 92 to 185 form part of this interim financial report.

Unaudited Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company												Non-controlling interests	Total equity
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 1 January 2019	356,407	86,051	152,043	261,720	279,064	15,495	(22,894)	(3,804)	(747)	680,877	1,206,666	2,330,001	14,882	2,344,883
Profit for the period	–	–	–	–	–	–	–	–	–	–	167,931	167,931	759	168,690
Other comprehensive income (note 33)	–	–	–	–	–	4,710	1,041	(633)	(360)	4,758	–	4,758	(14)	4,744
Total comprehensive income	–	–	–	–	–	4,710	1,041	(633)	(360)	4,758	167,931	172,689	745	173,434
Dividends — ordinary shares 2018 final (note 11)	–	–	–	–	–	–	–	–	–	–	(89,315)	(89,315)	–	(89,315)
Appropriation to surplus reserve (i)	–	–	–	516	–	–	–	–	–	516	(516)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	244	–	–	–	–	244	(244)	–	–	–
Change in share holding in subsidiaries	–	–	(3)	–	–	–	–	–	–	(3)	–	(3)	(8)	(11)
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	57	57
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(157)	(157)
Others	–	–	–	–	–	–	–	–	4	4	–	4	–	4
Balance as at 30 June 2019 (unaudited)	**356,407**	**86,051**	**152,040**	**262,236**	**279,308**	**20,205**	**(21,853)**	**(4,437)**	**(1,103)**	**686,396**	**1,284,522**	**2,413,376**	**15,519**	**2,428,895**

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

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

The notes on pages 92 to 185 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

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

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

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

The notes on pages 92 to 185 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

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

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

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

The notes on pages 92 to 185 form part of this interim financial report.

Unaudited Interim Consolidated Cash Flow Statement

For the six months ended 30 June 2019
(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (unaudited)	2018 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		209,209	197,216
Adjustments for:			
Share of profits of associates and joint ventures		(1,340)	(1,330)
Depreciation		12,414	9,867
Amortisation	8	1,188	1,124
Amortisation of financial investments		443	2,487
Impairment losses on assets	9	99,180	83,458
Unrealised losses on foreign exchange		926	7,769
Interest expense on debt securities issued		13,789	10,641
Accreted interest on impaired loans		(1,167)	(1,318)
Net loss/(gain) on disposal of financial investments		3,772	(708)
Net trading gain on equity investments	5	(1,124)	(217)
Net (gain)/loss on changes at fair value		(9,061)	3,336
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)		(792)	(1,173)
Dividend income	6	(348)	(142)
		327,089	311,010
Net decrease/(increase) in operating assets:			
Due from central banks		28,757	82,101
Due from banks and other financial institutions		(53,029)	(62,790)
Financial investments measured at fair value through profit or loss		(45,557)	(277,088)
Reverse repurchase agreements		(77,977)	15,465
Loans and advances to customers		(896,890)	(634,484)
Other assets		(199,849)	(107,182)
		(1,244,545)	(983,978)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated as at fair value through profit or loss		3,745	(8,383)
Due to central banks		749	(28)
Due to banks and other financial institutions		374,821	207,225
Repurchase agreements		(233,047)	(490,061)
Certificates of deposit		20,418	11,925
Due to customers		1,708,866	1,236,900
Other liabilities		117,462	(32,424)
		1,993,014	925,154
Net cash flows from operating activities before tax		1,075,558	252,186
Income tax paid		(70,760)	(65,654)
Net cash flows from operating activities		1,004,798	186,532

The notes on pages 92 to 185 form part of this interim financial report.

(In RMB millions, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(14,928)	(15,308)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		1,326	817
Purchases of financial investments		(1,248,373)	(994,124)
Proceeds from sale and redemption of financial investments		849,306	780,827
Investments in associates and joint ventures		(76)	(1,603)
Proceeds from disposal of associates and joint ventures		–	28
Dividends received		1,173	942
Net cash flows from investing activities		(411,572)	(228,421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		57	76
Proceeds from issuance of debt securities		624,360	534,584
Interest paid on debt securities		(6,935)	(5,287)
Repayment of debt securities		(478,939)	(496,085)
Acquisition of non-controlling interests		(11)	–
Dividends paid to non-controlling shareholders		(157)	(189)
Net cash flows from financing activities		138,375	33,099
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		731,601	(8,790)
Cash and cash equivalents at beginning of the period		1,509,524	1,520,330
Effect of exchange rate changes on cash and cash equivalents		948	9,283
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35	2,242,073	1,520,823
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		519,707	469,024
Interest paid		(191,352)	(182,841)

The notes on pages 92 to 185 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2019
(In RMB millions, unless otherwise stated)

1 CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the "CBIRC") of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Chen Siqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and the stock codes are 601398 and 1398, respectively. The Bank's offshore preference shares are listed on the Stock Exchange of Hong Kong Limited and the stock codes are 4603, 4604 and 84602, respectively. The Bank's domestic preference shares are listed on the Shanghai Stock Exchange and the stock code is 360011.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. It was authorised for issue on 29 August 2019.

The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's last annual financial report for the year ended 31 December 2018.

The interim financial report has been reviewed by the Bank's auditors, KPMG, in accordance with International Standard on *Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by International Auditing and Assurance Standards Boards ("IAASB").

Accounting judgements and estimates

The preparation of the interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2018.

Basis of consolidation

The interim financial report comprises the financial statements of the Bank and its subsidiaries for the six months ended 30 June 2019. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, cash flows and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity holders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(In RMB millions, unless otherwise stated)

Particulars of the Group's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest %		Voting rights %	Nominal value of issued share/ paid-in capital	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
	30 June 2019	31 December 2018	30 June 2019	30 June 2019			
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	100	HKD44,188 million	HKD54,738 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	100	HKD4,882 million	HKD4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia ("ICBC Indonesia")	98.61	98.61	98.61	IDR3,706,100 million	USD361 million	Jakarta, Indonesia	Commercial banking
Bank ICBC (Joint stock company)	100	100	100	RUB10,810 million	RUB10,810 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. * ("ICBC Leasing")	100	100	100	RMB18,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	89.33	MOP589 million	MOP12,064 million	Macau, the PRC	Commercial banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	80	80	80	CAD208 million	CAD218.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	97.98	THB20,132 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer
ICBC-AXA Assurance Co., Ltd. *	60	60	60	RMB12,505 million	RMB7,980 million	Shanghai, the PRC	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	80	USD369 million	USD306 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A. ("ICBC Argentina")	80	80	80	ARS1,345 million	ARS3,505 million	Buenos Aires, Argentina	Commercial banking
ICBC PERU BANK	100	100	100	USD100 million	USD100 million	Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brazil) S.A.	100	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial and investment banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	100	NZD234 million	NZD234 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	100	MXN1,597 million	MXN1,597 million	Mexico City, Mexico	Commercial banking
ICBC Turkey Bank Anonim Sirketi ("ICBC Turkey")	92.84	92.84	92.84	TRY860 million	USD425 million	Istanbul, Turkey	Commercial banking
ICBC Standard Bank PLC ("ICBC Standard")	60	60	60	USD1,083 million	USD839 million	London, United Kingdom	Banking
ICBC Financial Asset Investment Co., Ltd.* ("ICBC Investment")	100	100	100	RMB12,000 million	RMB12,000 million	Nanjing, the PRC	Financial asset investment
ICBC Austria Bank GmbH	100	100	100	EUR100 million	EUR100 million	Vienna, Austria	Commercial banking
ICBC Wealth Management Co., Ltd.*	100	–	100	RMB16,000 million	RMB16,000 million	Beijing, the PRC	Wealth Management

* These subsidiaries incorporated in Mainland China are all limited liability companies.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

Significant accounting policies

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

IFRS 16, "Leases"

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

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

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

Definition of a lease

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

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

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

The Group acting as a lessee

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

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

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

Significant accounting policies

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

(In RMB millions, unless otherwise stated)

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

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

Impacts on IFRS16 transition

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

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

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

IFRIC 23, "Uncertainty over income tax treatments"

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to IFRS Standards 2015–2017 Cycle

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

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

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

The amendments to IAS 19 clarify that:

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

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

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

(In RMB millions, unless otherwise stated)

3. NET INTEREST INCOME

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

The above interest income and expense are related to financial instruments which are not measured at fair value through profit or loss.

4. NET FEE AND COMMISSION INCOME

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

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above for the period is an amount of RMB9,063 million (six months ended 30 June 2018: RMB8,818 million) with respect to trust and other fiduciary activities.

(In RMB millions, unless otherwise stated)

5. NET TRADING INCOME

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

The above amounts mainly include gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities held for trading.

6. NET (LOSS)/GAIN ON FINANCIAL INVESTMENTS

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

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

"FVOCI" stands for fair value through other comprehensive income.

7. OTHER OPERATING INCOME/(EXPENSE), NET

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

(In RMB millions, unless otherwise stated)

8. OPERATING EXPENSES

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

(i) The defined contribution plans mainly include contributions to the state pension and the Bank's Annuity Plan.

9. IMPAIRMENT LOSSES ON ASSETS

	Notes	Six months ended 30 June	
		2019	2018
Loans and advances to customers	17	91,896	77,552
Others		7,284	5,906
		99,180	83,458

(In RMB millions, unless otherwise stated)

10. INCOME TAX EXPENSE

(a) Income tax expense

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

(b) Reconciliation between income tax and accounting profit

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

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

(i) The non-deductible expenses mainly represent non-deductible impairment provision, write-offs and others.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts, which is exempted from income tax.

11. DIVIDENDS

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

12. EARNINGS PER SHARE

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

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

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

13. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2019	31 December 2018
Cash and unrestricted balances with central banks:		
Cash on hand	61,402	70,047
Surplus reserves with the PBOC (i)	731,333	114,786
Unrestricted balances with central banks of overseas countries or regions	164,940	123,500
	957,675	308,333
Restricted balances with central banks:		
Mandatory reserves with the PBOC (ii)	2,677,847	2,756,781
Fiscal deposits with the PBOC	287,780	254,171
Other restricted balances with the PBOC (ii)	17,255	8,738
Mandatory reserves with central banks of overseas countries or regions (ii)	50,936	42,885
	3,033,818	3,062,575
Accrued interest on balances with central banks	1,619	1,668
	3,993,112	3,372,576

(i) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(ii) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC. As at 30 June 2019, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and in foreign currencies were consistent with the requirements of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China were determined by local jurisdictions.

(In RMB millions, unless otherwise stated)

14. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
Due from banks and other financial institutions:		
Banks operating in Mainland China	264,605	307,588
Other financial institutions operating in Mainland China	7,133	4,694
Banks and other financial institutions operating outside Mainland China	76,540	70,141
Accrued interest	3,125	2,624
	351,403	385,047
Less: Allowance for impairment losses	(286)	(401)
	351,117	384,646
Placements with banks and other financial institutions:		
Banks operating in Mainland China	129,503	147,805
Other financial institutions operating in Mainland China	208,217	193,191
Banks and other financial institutions operating outside Mainland China	261,429	230,640
Accrued interest	5,363	6,781
	604,512	578,417
Less: Allowance for impairment losses	(620)	(614)
	603,892	577,803
	955,009	962,449

Movements of the allowance for impairment losses during the period are as follows:

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2018	378	475	853
Charge for the year	23	139	162
At 31 December 2018 and 1 January 2019	401	614	1,015
(Reverse)/Charge for the period	(115)	6	(109)
At 30 June 2019	286	620	906

(In RMB millions, unless otherwise stated)

15. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

	30 June 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	3,556,924	2,121,609	134,329	121	5,812,983	28,809	(25,810)
Option contracts purchased	44,809	86,917	10,322	433	142,481	851	–
Option contracts written	52,961	101,846	2,370	–	157,177	–	(912)
	3,654,694	2,310,372	147,021	554	6,112,641	29,660	(26,722)
Interest rate contracts:							
Swap contracts	179,488	446,018	981,175	206,790	1,813,471	16,683	(18,451)
Forward contracts	26,795	44,587	3,744	83	75,209	4	(195)
Option contracts purchased	2,499	1,356	5,161	2,103	11,119	81	–
Option contracts written	–	–	178	873	1,051	–	(59)
	208,782	491,961	990,258	209,849	1,900,850	16,768	(18,705)
Commodity derivatives and others	839,920	437,955	45,618	8,711	1,332,204	15,170	(33,126)
	4,703,396	3,240,288	1,182,897	219,114	9,345,695	61,598	(78,553)

(In RMB millions, unless otherwise stated)

	31 December 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	2,893,412	2,542,823	101,765	21,756	5,559,756	41,230	(41,330)
Option contracts purchased	43,801	52,688	3,163	124	99,776	912	–
Option contracts written	48,820	60,266	1,474	–	110,560	–	(863)
	2,986,033	2,655,777	106,402	21,880	5,770,092	42,142	(42,193)
Interest rate contracts:							
Swap contracts	293,502	400,038	852,201	240,521	1,786,262	16,179	(16,277)
Forward contracts	71,076	42,965	29,431	321	143,793	2	(202)
Option contracts purchased	7,544	3,393	2,869	1,660	15,466	41	–
Option contracts written	5,998	2,391	1,768	1,141	11,298	–	(42)
	378,120	448,787	886,269	243,643	1,956,819	16,222	(16,521)
Commodity derivatives and others	811,111	260,790	47,982	10,519	1,130,402	12,971	(14,859)
	4,175,264	3,365,354	1,040,653	276,042	8,857,313	71,335	(73,573)

Cash flow hedges

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

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

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

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

(In RMB millions, unless otherwise stated)

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

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

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

Fair value hedges

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

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

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

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

	30 June 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,050	4,010	37,324	14,183	56,567	146	(1,191)
	1,050	4,010	37,324	14,183	56,567	146	(1,191)

(In RMB millions, unless otherwise stated)

	31 December 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,713	5,366	30,670	12,074	49,823	709	(283)
	1,713	5,366	30,670	12,074	49,823	709	(283)

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

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

Net investment hedges

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

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

Counterparty credit risk-weighted assets of derivative financial instruments

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

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

(In RMB millions, unless otherwise stated)

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

16. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchase of bills, securities and cash advanced as collateral on securities borrowing.

	30 June 2019	31 December 2018
Measured at amortised cost:		
Reverse repurchase agreements-bills:		
Banks	165,934	161,467
	165,934	161,467
Reverse repurchase agreements-securities:		
Banks	142,800	52,633
Other financial institutions	494,978	344,993
	637,778	397,626
Accrued interest	109	202
Less: Allowance for impairment losses	(50)	(40)
	803,771	559,255
Measured at FVTPL:		
Reverse repurchase agreements-securities:		
Banks	1,335	2,470
Other financial institutions	134,587	142,502
	135,922	144,972
Cash advanced as collateral on securities borrowing	15,114	29,822
	151,036	174,794
	954,807	734,049

(i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting, and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statements. As at 30 June 2019, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB500,142 million and RMB514,181 million respectively (31 December 2018: RMB467,516 million and RMB476,199 million respectively), and the net reverse repurchase agreements and net repurchase agreements were RMB135,279 million and RMB149,318 million respectively (31 December 2018: RMB145,648 million and RMB154,331 million respectively).

(ii) As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 30 June 2019, the Group had received securities with a fair value of approximately RMB180,880 million on such terms (31 December 2018: RMB227,372 million). Of these, securities with a fair value of approximately RMB142,109 million have been repledged under repurchase agreements (31 December 2018: RMB202,508 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

(In RMB millions, unless otherwise stated)

17. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2019	31 December 2018
Measured at amortised cost:		
Corporate loans and advances	9,898,952	9,411,281
Personal loans	6,038,357	5,636,574
Discounted bills	7,291	10,209
Accrued interest	43,812	38,948
	15,988,412	15,097,012
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost (note 17(a))	(460,836)	(412,731)
	15,527,576	14,684,281
Measured at FVOCI:		
Corporate loans and advances	5,227	6,245
Discounted bills	319,530	354,228
Accrued interest	8	10
	324,765	360,483
Measured at FVTPL:		
Corporate loans and advances	1,867	1,368
	15,854,208	15,046,132

As at 30 June 2019, the Group's allowance for impairment losses on loans and advances to customers measured at FVOCI was RMB180 million, see note 17(b) (31 December 2018: RMB446 million).

Movements of the allowance for impairment losses on loans and advances to customers are as follows:

(a) Movements of the allowance for impairment losses on loans and advances to customers measured at amortised cost are as follows:

Group

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL not credit-impaired)	Stage 3 (Lifetime ECL credit-impaired)	Total
Balance at 1 January 2019	158,084	81,406	173,241	412,731
Transfer:				
— to stage 1	11,627	(9,306)	(2,321)	–
— to stage 2	(3,967)	8,175	(4,208)	–
— to stage 3	(842)	(18,715)	19,557	–
Charge	49,287	19,279	23,596	92,162
Write-offs and transfer out	–	–	(44,050)	(44,050)
Recoveries of loans and advances previously written off	–	–	1,223	1,223
Other movements	62	(15)	(1,277)	(1,230)
Balance at 30 June 2019	214,251	80,824	165,761	460,836

(In RMB millions, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	107,961	111,867	152,770	372,598
Transfer:				
— to stage 1	19,393	(17,976)	(1,417)	–
— to stage 2	(4,901)	5,493	(592)	–
— to stage 3	(2,869)	(40,413)	43,282	–
Charge	38,217	24,083	85,074	147,374
Write-offs and transfer out	(338)	(2,294)	(106,146)	(108,778)
Recoveries of loans and advances previously written off	–	–	2,141	2,141
Other movements	621	646	(1,871)	(604)
Balance at 31 December 2018	158,084	81,406	173,241	412,731

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVOCI are as follows:

Group

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	198	0	248	446
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	(18)	0	(248)	(266)
Other movements	(0)	(0)	–	(0)
Balance at 30 June 2019	180	0	–	180

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	23	–	448	471
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	173	0	(200)	(27)
Other movements	2	–	–	2
Balance at 31 December 2018	198	0	248	446

(In RMB millions, unless otherwise stated)

18. FINANCIAL INVESTMENTS

		30 June 2019	31 December 2018
Financial investments measured at FVTPL	(a)	889,923	805,347
Financial investments measured at FVOCI	(b)	1,472,624	1,430,163
Financial investments measured at amortised cost	(c)	4,856,550	4,519,182
		7,219,097	6,754,692

(a) Financial investments measured at FVTPL

	30 June 2019	31 December 2018
Financial investments held for trading		
Debt securities (analysed by type of issuers):		
Governments and central banks	68,873	33,141
Policy banks	2,101	1,128
Public sector entities	20,991	7,229
Banks and other financial institutions	38,920	16,984
Corporate entities	21,659	8,830
	152,544	67,312
Equity investments	8,992	5,484
	161,536	72,796
Financial investments designated as at FVTPL		
Debt securities (analysed by type of issuers):		
Governments and central banks	9,315	9,155
Policy banks	33,262	38,077
Public sector entities	48	47
Banks and other financial institutions	32,797	39,651
Corporate entities	4,222	5,576
	79,644	92,506
Funds and other investments	463,074	493,230
	542,718	585,736

(In RMB millions, unless otherwise stated)

	30 June 2019	31 December 2018
Financial investments measured at FVTPL (mandatory)		
Debt securities (analysed by type of issuers):		
Governments and central banks	1,029	–
Policy banks	10,345	10,086
Public sector entities	8	8
Banks and other financial institutions	91,595	69,785
Corporate entities	4,559	4,052
	107,536	83,931
Equity investments	29,466	22,506
Funds and other investments	48,667	40,378
	185,669	146,815
	889,923	805,347
Analysed into:		
Debt securities:		
Listed in Hong Kong	5,814	4,271
Listed outside Hong Kong	9,441	8,135
Unlisted	324,469	231,343
	339,724	243,749
Equity investments:		
Listed in Hong Kong	4,424	3,805
Listed outside Hong Kong	6,303	3,688
Unlisted	27,731	20,497
	38,458	27,990
Funds and other investments:		
Listed outside Hong Kong	646	1,104
Unlisted	511,095	532,504
	511,741	533,608
	889,923	805,347

(In RMB millions, unless otherwise stated)

(b) Financial investments measured at FVOCI

	30 June 2019	31 December 2018
Debt securities (analysed by type of issuers):		
Governments and central banks	411,746	413,941
Policy banks	206,662	223,877
Public sector entities	202,119	201,183
Banks and other financial institutions	348,466	302,685
Corporate entities	249,100	235,641
Accrued interest	20,934	22,610
	1,439,027	1,399,937
Equity investments (i)	33,290	29,919
Other investments	307	307
	1,472,624	1,430,163
Analysed into:		
Debt securities:		
Listed in Hong Kong	143,135	123,358
Listed outside Hong Kong	222,724	216,471
Unlisted	1,073,168	1,060,108
	1,439,027	1,399,937
Equity investments:		
Listed outside Hong Kong	810	688
Unlisted	32,480	29,231
	33,290	29,919
Other investments:		
Unlisted	307	307
	307	307
	1,472,624	1,430,163

(i) The Group designates part of non-trading equity investments as financial investments measured at FVOCI. As at 30 June 2019, the fair value of such equity investments was RMB33,290 million. During the reporting period, dividend income recognised for such equity investments was RMB348 million (From such equity investments derecognised during the reporting period: Nil). The value of the Group disposal of such equity investments was RMB16 million. There was no cumulative gain or loss transferred from other comprehensive income to retained earnings during the reporting period.

(In RMB millions, unless otherwise stated)

Movements of the allowance for impairment losses on financial investments measured at FVOCI are as follows:

Group

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	1,622	92	196	1,910
Transfer:				
— to stage 1	2	(2)	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	182	(16)	–	166
Other movements	56	–	–	56
Balance at 30 June 2019	1,862	74	196	2,132

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	2,933	–	190	3,123
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(1)	1	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	(1,476)	91	–	(1,385)
Other movements	166	–	6	172
Balance at 31 December 2018	1,622	92	196	1,910

Allowance for impairment losses on financial investments measured at FVOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and any impairment loss or gain is recognised in the profit or loss. As at 30 June 2019, the financial investments measured at FVOCI included credit-impaired financial investments whose impairment provision have been fully charged.

(In RMB millions, unless otherwise stated)

(c) Financial investments measured at amortised cost

	30 June 2019	31 December 2018
Debt securities (analysed by type of issuers):		
Governments and central banks	3,977,971	3,618,546
Including: Special government bond (i)	85,000	85,000
Policy banks	437,218	501,634
Public sector entities	5,595	8,560
Banks and other financial institutions	294,826	264,929
Including: Huarong bonds (ii)	90,309	90,309
Corporate entities	36,730	35,914
Accrued interest	71,762	61,622
	4,824,102	4,491,205
Other investments (iii)	35,164	30,331
Accrued interest	183	129
	35,347	30,460
	4,859,449	4,521,665
Less: Allowance for impairment losses	(2,899)	(2,483)
	4,856,550	4,519,182
Analysed into:		
Debt securities:		
Listed in Hong Kong	41,843	36,855
Listed outside Hong Kong	74,691	86,296
Unlisted	4,705,765	4,366,471
	4,822,299	4,489,622
Other investments:		
Unlisted	34,251	29,560
	34,251	29,560
	4,856,550	4,519,182
Market value of listed securities	118,029	123,618

Movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

Group

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	1,504	854	125	2,483
Transfer:				
— to stage 1	2	(2)	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge	290	110	–	400
Other movements	16	–	–	16
Balance at 30 June 2019	1,812	962	125	2,899

(In RMB millions, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	1,171	2	83	1,256
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(11)	11	–	–
— to stage 3	(2)	–	2	–
Charge	325	841	38	1,204
Other movements	21	–	2	23
Balance at 31 December 2018	1,504	854	125	2,483

(i) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the Ministry of Finance of the People's Republic of China (the "MOF") to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(ii) The Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for another ten years and the interest rate remains unchanged. Additionally, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. As at 30 June 2019, the Bank received accumulated early repayments amounting to RMB222,687 million.

(iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from July 2019 to November 2032 and bear interest rates ranging from 2.00% to 6.75% per annum.

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are as follows:

		30 June 2019	31 December 2018
Interest in associates	(a)	27,918	27,099
Interest in joint ventures	(b)	1,919	2,025
		29,837	29,124

	30 June 2019	31 December 2018
Share of net assets	19,913	19,385
Goodwill	10,272	10,087
	30,185	29,472
Less: Allowance for impairment losses	(348)	(348)
	29,837	29,124

(In RMB millions, unless otherwise stated)

(a) Interest in associates

(i) Particulars of the Group's only material associate are as follows:

Name	Percentage of equity interest % 30 June 2019	Percentage of equity interest % 31 December 2018	Voting rights % 30 June 2019	Place of incorporation/ registration	Principal activities
Standard Bank Group Limited ("Standard Bank") (i)	20.07	20.08	20.07	Johannesburg, Republic of South Africa	Commercial banking

(i) Standard Bank, a listed commercial bank in Republic of South Africa and a strategic partner for the Group, enables the Group to widen its customer base in Africa.

The market value of the Group's investment in Standard Bank is RMB31,003 million as at 30 June 2019 (31 December 2018: RMB27,677 million).

The summarised financial information of Standard Bank, being consistent with the Group's accounting policies, and reconciled to the carrying amounts using the equity method in the Group's consolidated financial statements is as follows:

	30 June 2019	31 December 2018
Gross amounts of the associate		
Assets	1,072,190	1,013,117
Liabilities	972,982	918,299
Net assets	99,208	94,818
Revenue	26,668	51,265
Profit from continuing operations	6,483	13,362
Other comprehensive income	(1,831)	2,153
Total comprehensive income	4,652	15,515
Dividends received from the associate	4,265	7,356
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attribute to the parent company	83,842	81,215
Group's effective interest	20.07%	20.08%
Group's share of net assets of the associate	16,827	16,308
Goodwill	10,236	10,051
Carrying amount of the Group's interest in Standard Bank in the consolidated financial statements	27,063	26,359

(ii) The following tables illustrate the summarised financial information of the associates that are not individually material to the Group:

	Six months ended 30 June 2019	2018
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	22	287
Other comprehensive income	–	–
Total comprehensive income	22	287

(In RMB millions, unless otherwise stated)

(iii) Reconciliation of carrying amounts to the Group's total interests in the associates:

	30 June 2019	31 December 2018
Carrying amount of material associates — Standard Bank	27,063	26,359
Carrying amount of individually immaterial associates	1,203	1,088
Less: Allowance for impairment losses	(348)	(348)
Interest in associates in the consolidated financial statements	27,918	27,099

All of the above associates are accounted for using the equity method in the consolidated financial statements.

(b) Interest in joint ventures

The Group has interests in a number of individually immaterial joint ventures. The following tables illustrate the summarised financial information of the joint ventures that are not individually material to the Group:

	30 June 2019	31 December 2018
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	1,919	2,025

	Six months ended 30 June 2019	2018
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operations	18	150
Other comprehensive income	0	0
Total comprehensive income	18	150

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

(In RMB millions, unless otherwise stated)

20. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2018	142,517	29,572	10,375	72,437	127,762	382,663
Additions	5,450	15,574	680	6,509	42,148	70,361
CIP transfer in/(out)	4,099	(9,553)	–	114	5,340	–
Disposals	(921)	(471)	(101)	(4,200)	(4,178)	(9,871)
At 31 December 2018	151,145	35,122	10,954	74,860	171,072	443,153
Impact of adopting IFRS 16	–			–	(10,251)	(10,251)
At 1 January 2019	151,145	35,122	10,954	74,860	160,821	432,902
Additions	454	10,216	624	1,187	4,338	16,819
CIP transfer in/(out)	1,468	(6,700)	–	62	5,170	–
Disposals	(298)	(176)	(455)	(1,113)	(2,403)	(4,445)
At 30 June 2019	152,769	38,462	11,123	74,996	167,926	445,276
Accumulated depreciation and impairment:						
At 1 January 2018	55,646	41	8,318	56,475	14,439	134,919
Depreciation charge for the year	5,671	–	868	6,868	6,908	20,315
Impairment charge for the year	–	–	–	–	3,088	3,088
Disposals	(616)	–	(30)	(3,983)	(944)	(5,573)
At 31 December 2018	60,701	41	9,156	59,360	23,491	152,749
Impact of adopting IFRS 16	–			–	(588)	(588)
At 1 January 2019	60,701	41	9,156	59,360	22,903	152,161
Depreciation charge for the period	2,874	–	408	3,292	2,906	9,480
Disposals	(198)	–	(79)	(1,098)	(418)	(1,793)
At 30 June 2019	63,377	41	9,485	61,554	25,391	159,848
Carrying amount:						
At 31 December 2018	90,444	35,081	1,798	15,500	147,581	290,404
At 30 June 2019	89,392	38,421	1,638	13,442	142,535	285,428

As at 30 June 2019, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate carrying value of RMB8,396 million (31 December 2018: RMB10,539 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 30 June 2019, the carrying value of aircraft and vessels leased out by the Group under operating leases was RMB142,535 million (31 December 2018: RMB147,581 million).

As at 30 June 2019, the carrying value of aircraft and vessels owned by the Group that have been pledged as security for liabilities due to banks and other financial institutions was RMB79,092 million (31 December 2018: RMB90,887 million).

(In RMB millions, unless otherwise stated)

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Deferred income tax assets:

	As at 30 June 2019		As at 31 December 2018	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	239,920	59,650	210,624	52,438
Change in fair value of financial instruments measured at FVTPL	(5,422)	(1,536)	705	147
Change in fair value of financial instruments measured at FVOCI	(17,455)	(4,545)	(14,248)	(3,819)
Accrued staff costs	21,363	5,341	26,033	6,508
Others	73	47	11,788	3,101
	238,479	58,957	234,902	58,375

Deferred income tax liabilities:

	As at 30 June 2019		As at 31 December 2018	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Allowance for impairment losses	(1,485)	(583)	(944)	(401)
Change in fair value of financial instruments measured at FVTPL	608	152	572	143
Change in fair value of financial instruments measured at FVOCI	6,489	1,563	3,592	900
Others	3,251	804	2,272	575
	8,863	1,936	5,492	1,217

(b) Movements of deferred income tax

Deferred income tax assets:

	As at 1 January 2019	Recognised in profit or loss	Recognised in equity	As at 30 June 2019
Allowance for impairment losses	52,438	7,212	–	59,650
Change in fair value of financial instruments measured at FVTPL	147	(1,683)	–	(1,536)
Change in fair value of financial instruments measured at FVOCI	(3,819)	–	(726)	(4,545)
Accrued staff costs	6,508	(1,167)	–	5,341
Others	3,101	(3,076)	22	47
	58,375	1,286	(704)	58,957

(In RMB millions, unless otherwise stated)

Deferred income tax liabilities:

	As at 1 January 2019	Recognised in profit or loss	Recognised in equity	As at 30 June 2019
Allowance for impairment losses	(401)	(182)	–	(583)
Change in fair value of financial instruments measured at FVTPL	143	9	–	152
Change in fair value of financial instruments measured at FVOCI	900	–	663	1,563
Others	575	229	–	804
	1,217	56	663	1,936

Deferred income tax assets:

	As at 31 December 2017	Impact of adopting IFRS 9	As at 1 January 2018	Recognised in profit or loss	Recognised in equity	As at 31 December 2018
Allowance for impairment losses	37,475	7,254	44,729	7,709	–	52,438
Change in fair value of financial instruments measured at FVTPL	(2,368)	577	(1,791)	1,938	–	147
Change in fair value of financial instruments measured at FVOCI		4,433	4,433	–	(8,252)	(3,819)
Change in fair value of available-for-sale financial assets	9,748	(9,748)	–			
Accrued staff costs	6,910	–	6,910	(402)	–	6,508
Others	(3,373)	7,702	4,329	(1,217)	(11)	3,101
	48,392	10,218	58,610	8,028	(8,263)	58,375

Deferred income tax liabilities:

	As at 31 December 2017	Impact of adopting IFRS 9	As at 1 January 2018	Recognised in profit or loss	Recognised in equity	As at 31 December 2018
Allowance for impairment losses	(502)	6	(496)	95	–	(401)
Change in fair value of financial instruments measured at FVTPL	–	–	–	143	–	143
Change in fair value of financial instruments measured at FVOCI		(38)	(38)	–	938	900
Change in fair value of available-for-sale financial assets	(38)	38	–			
Others	973	–	973	(398)	–	575
	433	6	439	(160)	938	1,217

The Group did not have significant unrecognised deferred income tax assets and liabilities at the end of the reporting period.

(In RMB millions, unless otherwise stated)

22. OTHER ASSETS

	30 June 2019	31 December 2018
Precious metals	246,077	182,391
Settlement accounts	219,972	122,318
Right-of-use assets (1)	29,721	
Land use rights	17,084	17,464
Repossessed assets	10,807	10,884
Advance payments	17,331	10,555
Goodwill	9,354	9,299
Interest receivable	2,222	2,624
Others	30,145	28,989
	582,713	384,524
Less: Allowance for impairment losses	(4,290)	(4,120)
	578,423	380,404

(1) Right-of-use assets

	Leased properties and buildings	Leased aircraft and vessels	Leased office equipment and motor vehicles	Total
Cost:				
At 1 January 2019	16,827	13,986	71	30,884
Additions	1,989	806	47	2,842
Disposals	(560)	(26)	(8)	(594)
At 30 June 2019	18,256	14,766	110	33,132
Accumulated depreciation:				
At 1 January 2019	–	480	–	480
Depreciation charge for the period	2,663	254	17	2,934
Disposals	(3)	–	–	(3)
At 30 June 2019	2,660	734	17	3,411
Impairment:				
At 1 January 2019	–	108	–	108
At 30 June 2019	–	108	–	108
Carrying amount:				
At 1 January 2019	16,827	13,398	71	30,296
At 30 June 2019	15,596	13,924	93	29,613

(In RMB millions, unless otherwise stated)

23. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2019	31 December 2018
Interbank wealth management products	(1)	21,726	11,480
Financial liabilities related to precious metals	(2)(a)	59,857	67,266
Debt securities	(2)(b)	2,825	2,285
Others		8,397	6,369
		92,805	87,400

(1) The principal-guaranteed interbank wealth management products issued by the Group and the financial assets in which the aforesaid products form parts of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated as at FVTPL respectively. As at 30 June 2019, the fair value of the interbank wealth management products was approximately the same as the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity (31 December 2018: approximately the same).

(2) Financial liabilities related to precious metals and issued debt securities have been matched with precious metals and derivative as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted at amortised cost, whereas the related precious metals and derivative were measured at fair value with movements in the fair value taken through the statement of profit or loss. By designating these financial liabilities at FVTPL, the movement in their fair values is recorded in the statement of profit or loss.

(a) As at 30 June 2019, the fair value of the financial liabilities related to precious metals was higher than the amount that the Group would be contractually required to pay to the holders by RMB479 million (31 December 2018: RMB266 million higher).

(b) The debt securities including 7 equity-linked notes issued by ICBC Asia in 2016 and 2017 were classified as financial liabilities designated as at fair value through profit or loss. As at 30 June 2019, the fair value of the debt securities is lower than the amount that the Group would be contractually required to pay to the holder of these debt securities upon maturity by RMB70 million (31 December 2018: RMB720 million lower).

There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in credit risk were not considered significant during the period of six months ended at 30 June 2019 and the year of 2018. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(In RMB millions, unless otherwise stated)

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019	31 December 2018
Deposits:		
Banks and other financial institutions operating in Mainland China	1,508,351	1,202,671
Banks and other financial institutions operating outside Mainland China	122,148	123,317
Accrued interest	2,984	2,258
	1,633,483	1,328,246
Money market takings:		
Banks and other financial institutions operating in Mainland China	149,307	128,015
Banks and other financial institutions operating outside Mainland China	394,792	346,186
Accrued interest	6,968	12,048
	551,067	486,249
	2,184,550	1,814,495

25. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchase of bills, securities and cash received as collateral on securities lending.

	30 June 2019	31 December 2018
Repurchase agreements-bills:		
Banks	24,349	18,709
	24,349	18,709
Repurchase agreements-securities:		
Banks	145,575	331,691
Other financial institutions	102,384	148,663
	247,959	480,354
Cash received as collateral on securities lending	9,083	15,375
Accrued interest	405	363
	281,796	514,801

26. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by Hong Kong Branch, Tokyo Branch, Seoul Branch, Luxembourg Branch, Doha Branch, Sydney Branch, New York Branch, Abu Dhabi Branch, Mumbai Branch, Dubai (DIFC) Branch, London Branch, ICBC Asia, ICBC Macau and ICBC New Zealand were recognised at amortised cost.

(In RMB millions, unless otherwise stated)

27. DUE TO CUSTOMERS

	30 June 2019	31 December 2018
Demand deposits:		
Corporate customers	7,057,901	6,405,136
Personal customers	4,016,237	3,931,182
	11,074,138	10,336,318
Time deposits:		
Corporate customers	5,347,694	5,076,005
Personal customers	6,256,590	5,505,236
	11,604,284	10,581,241
Others	216,917	268,914
Accrued interest	230,098	222,461
	23,125,437	21,408,934

28. DEBT SECURITIES ISSUED

		30 June 2019	31 December 2018
Subordinated bonds and Tier 2 Capital Notes issued by	(1)		
The Bank		379,868	269,864
Subsidiaries		9,126	9,122
Accrued interest		9,780	3,473
		398,774	282,459
Other debt securities issued by	(2)		
The Bank		239,627	225,075
Subsidiaries		135,058	108,904
Accrued interest		1,951	1,404
		376,636	335,383
		775,410	617,842

As at 30 June 2019, the amount of debt securities issued due within one year was RMB105,866 million (31 December 2018: RMB92,045 million).

(1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the CBIRC, the Bank issued callable subordinated bonds and Tier 2 Capital Notes through open market bidding in 2009, 2010, 2011, 2012, 2014, 2017 and 2019. Approved by the PBOC, these subordinated bonds and Tier 2 Capital Notes were traded in the bond market among banks. The relevant information is set out below:

Name	Issue date	Issue Price (In RMB)	Amount (In RMB)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Notes
			(million)	(million)					
09 ICBC 02 Bond	16/07/2009	100 Yuan	24,000	24,000	4.00%	20/07/2009	20/07/2024	20/08/2009	(i)
10 ICBC 02 Bond	10/09/2010	100 Yuan	16,200	16,200	4.10%	14/09/2010	14/09/2025	03/11/2010	(ii)
11 ICBC 01 Bond	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011	(iii)
11 ICBC 02 Bond	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012	(iv)
12 ICBC 01 Bond	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012	(v)
14 ICBC 01 Bond	04/08/2014	100 Yuan	20,000	20,000	5.80%	05/08/2014	05/08/2024	24/09/2014	(vi)
17 ICBC 01 Bond	06/11/2017	100 Yuan	44,000	44,000	4.45%	08/11/2017	08/11/2027	10/11/2017	(vii)
17 ICBC 02 Bond	20/11/2017	100 Yuan	44,000	44,000	4.45%	22/11/2017	22/11/2027	23/11/2017	(viii)
19 ICBC 01 Bond	21/03/2019	100 Yuan	45,000	45,000	4.26%	25/03/2019	25/03/2029	26/03/2019	(ix)
19 ICBC 02 Bond	21/03/2019	100 Yuan	10,000	10,000	4.51%	25/03/2019	25/03/2034	26/03/2019	(x)
19 ICBC 03 Bond	24/04/2019	100 Yuan	45,000	45,000	4.40%	26/04/2019	26/04/2029	28/04/2019	(xi)
19 ICBC 04 Bond	24/04/2019	100 Yuan	10,000	10,000	4.69%	26/04/2019	26/04/2034	28/04/2019	(xii)

(i) The Bank had redeemed all of the bonds on 20 July 2019.

(ii) The Bank has the option to redeem all of the bonds on 14 September 2020 upon the approval of the relevant regulatory authorities.

(iii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.

(iv) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.

(v) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.

(vi) The Bank had redeemed all of the bonds on 5 August 2019.

(vii) The Bank has the option to redeem all of the bonds on 8 November 2022 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 22 November 2022 upon the approval of the relevant regulatory authorities.

(ix) The Bank has the option to redeem all of the bonds on 25 March 2024 upon the approval of the relevant regulatory authorities.

(x) The Bank has the option to redeem all of the bonds on 25 March 2029 upon the approval of the relevant regulatory authorities.

(xi) The Bank has the option to redeem all of the bonds on 26 April 2024 upon the approval of the relevant regulatory authorities.

(xii) The Bank has the option to redeem all of the bonds on 26 April 2029 upon the approval of the relevant regulatory authorities.

In 2015, the Bank issued Tier 2 Capital Notes denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the Notes are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issue price	Amount (original currency)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Note
				(million)	(million)					
15 USD Tier 2 Capital Notes	15/09/2015	USD	99.189	2,000	13,731	4.875%	21/09/2015	21/09/2025	22/09/2015	(xiii)

(xiii) On 15 September 2015, the Bank issued Tier 2 Capital Notes with an aggregate nominal amount of USD2,000 million, bearing a fixed interest rate of 4.875% per annum. The listing and permission to deal in the Stock Exchange of Hong Kong Limited became effective on 22 September 2015. The Notes were issued at the price fixed at 99.189% of the nominal amount with maturity due on 21 September 2025 and cannot be redeemed before maturity.

The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the reporting period (2018: Nil).

Subsidiaries:

On 2 December 2009, ICBC Standard issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 8.125% per annum and with maturity due on 2 December 2019.

On 30 November 2010, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020.

On 10 September 2014, ICBC Macau issued a subordinated bond with an aggregate nominal amount of USD320 million, bearing a floating interest rate. The bond was issued at the price fixed at 99.298% of the nominal amount with maturity due on 10 September 2024.

The above subordinated bonds and notes are separately listed on the London Stock Exchange Plc and the Stock Exchange of Hong Kong Limited. ICBC Standard, ICBC Asia and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and notes during the period (2018: Nil).

(2) Other debt securities issued

As at 30 June 2019, the Group's other debt securities issued include:

The Bank:

(i) Sydney Branch issued notes amounting to RMB13,432 million denominated in AUD, CHF, RMB, HKD and USD with maturities between the second half of 2019 and 2024 at fixed or floating interest rates, and interbank deposits amounting to RMB1,311 million denominated in USD, AUD, GBP and RMB with maturities in the second half of 2019 and 2020 at fixed interest rates. Of which, in 2019, Sydney Branch issued notes amounting to RMB2,471 million denominated in AUD and USD with maturity between 2022 and 2024 at fixed or floating interest rates; in 2019 Sydney Branch also issued interbank deposits amounting to RMB1,311 million denominated in USD, AUD, GBP and RMB with maturity in the second half of 2019 and 2020 at fixed interest rates.

(ii) Singapore Branch issued notes amounting to RMB47,542 million denominated in RMB, EUR and USD with maturities between the second half of 2019 and 2024 at fixed or floating interest rates. Of which, in 2019, Singapore Branch issued notes amounting to RMB16,526 million denominated in RMB, EUR and USD with maturity between 2021 and 2024 at fixed or floating interest rates.

(iii) Tokyo Branch issued notes amounting to RMB1,839 million denominated in JPY and RMB with maturities in the second half of 2019 at fixed interest rates. Of which, in 2019, Tokyo Branch issued notes amounting to RMB1,339 million denominated in JPY with maturities in the second half of 2019 at fixed interest rates.

(iv) New York Branch issued notes amounting to RMB49,775 million denominated in USD with maturities between the second half of 2019 and 2027 at fixed or floating interest rates. Of which, in 2019, New York Branch issued notes amounted to RMB16,966 million denominated in USD with maturities in the second half of 2019 at fixed interest rates.

(v) Luxembourg Branch issued notes amounting to RMB35,009 million denominated in USD and EUR with maturities between the second half of 2019 and 2024 at fixed interest rates. Of which, in 2019, Luxemburg Branch issued notes amounting to RMB14,757 million denominated in USD with maturities between 2020 and 2024 at fixed interest rates.

(vi) Dubai (DIFC) Branch issued notes amounting to RMB30,842 million denominated in EUR and USD with maturities between the second half of 2019 and 2023 at fixed or floating interest rates.

(vii) Hong Kong Branch issued notes amounting to RMB28,755 million denominated in USD and HKD with maturities between the second half of 2019 and 2022 at fixed or floating interest rates. Of which, in 2019, Hong Kong Branch issued notes amounting to RMB4,457 million denominated in USD with maturity in 2020 and 2021 at floating interest rates.

(viii) London Branch issued notes amounting to RMB31,019 million denominated in USD, GBP and EUR with maturities between the second half of 2019 and 2023 at floating interest rates. Of which, in 2019, London Branch issued notes amounting to RMB1,741 million denominated in GBP with maturity in 2022 at floating interest rates.

Subsidiaries:

(i) ICBC Asia issued notes amounting to RMB16,705 million denominated in HKD, RMB, EUR and USD with maturities between the 2020 and 2023 at fixed or floating interest rates, and interbank deposits amounting to RMB867 million denominated in RMB with maturities in the second half of 2019 and 2020 at fixed interest rates. Of which, in 2019, ICBC Asia issued interbank deposits amounting to RMB867 million denominated in RMB with maturities in the second half of 2019 and 2020 at fixed interest rates.

(ii) ICBC Leasing issued medium-term debt securities and notes amounting to RMB79,801 million denominated in RMB and USD with maturities between the second half of 2019 and 2027 at fixed or floating interest rates.

Of which, Skysea International Capital Management Limited ("Skysea International"), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 30 June 2019, Skysea International has redeemed USD153 million and the carrying amount of the Notes were RMB4,091 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturities due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.

ICBCIL Finance Co. Ltd., which is controlled by the Group, issued medium-term notes amounting to RMB66,833 million denominated in RMB and USD with maturities between the second half of 2019 and 2027 at fixed or floating interest rates. Of which, in 2019, ICBCIL Finance Co. Ltd. issued medium-term notes amounting to RMB10,280 million denominated in USD with maturities in 2022 and 2024 at fixed interest rates. By satisfying certain conditions, ICBCIL Finance Co. Ltd. has the option to redeem all of the notes at any time. Above notes were guaranteed by ICBC Leasing and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively.

Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB902 million denominated in USD with maturity in 2025 at a fixed interest rate in 2016. The bond was guaranteed by The Export-Import Bank of Korea.

ICBC Financial Leasing issued medium-term debt securities inside China amounting to RMB7,975 million denominated in RMB with maturities between 2021 and 2024 at fixed interest rates. Of which, in 2019, ICBC Financial Leasing issued medium-term debt securities amounting to RMB5,231 million denominated in RMB with maturities in 2022 and 2024 at fixed interest rates.

(iii) ICBC Thai issued debt securities amounting to RMB7,617 million denominated in THB with maturities between the second half of 2019 and 2028 at fixed interest rates. Of which, in 2019, ICBC Thai issued debt securities amounting to RMB2,539 million denominated in THB with maturities between the second half of 2019 and 2022 at fixed interest rates.

(In RMB millions, unless otherwise stated)

(iv) ICBC International issued debt securities amounting to RMB18,860 million denominated in USD with maturity between the second half of 2019 and 2022 at a fixed or floating interest rate. Of which, in 2019, ICBC International issued medium-term debt securities amounting to RMB4,801 million denominated in USD with maturities in 2022 at fixed interest rate.

(v) ICBC New Zealand issued medium-term debt securities and notes amounting to RMB3,047 million denominated in NZD and AUD with maturities between 2020 and 2024 at fixed or floating interest rates. Of which, in 2019, ICBC New Zealand issued medium-term debt securities and notes amounting to RMB921 million denominated in NZD with maturity in 2022 and 2024 at fixed or floating interest rates.

(vi) ICBC Argentina issued medium-term debt securities amounting to RMB264 million denominated in ARS with maturities in 2020 at floating interest rates.

(vii) In 2019, ICBC Financial Asset Investment issued mid-term debt securities amounting to RMB8,000 million denominated in RMB with maturities in 2022 and 2024 at fixed interest rates.

29. OTHER LIABILITIES

	30 June 2019	31 December 2018
Settlement accounts	221,110	167,015
Dividends payable	89,315	–
Allowance for impairment losses on credit commitments	35,123	34,715
Lease liabilities (1)	25,575	
Salaries, bonuses, allowances and subsidies payables (2)	20,388	25,308
Sundry tax payables	12,989	10,937
Promissory notes	1,388	1,260
Early retirement benefits	578	686
Others	195,696	169,898
	602,162	409,819

(1) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	30 June 2019
Less than one year	6,924
One to two years	5,340
Two to three years	4,547
Three to five years	7,172
More than five years	4,894
Contractual undiscounted cash flows of lease liabilities as at 30 June 2019	28,877
Ending balance of lease liabilities as at 30 June 2019	25,575

(2) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 30 June 2019 (31 December 2018: Nil).

(3) As at 30 June 2019, the amount of other liabilities due within one year was RMB550,158 million (31 December 2018: RMB376,731 million).

30. SHARE CAPITAL

	30 June 2019		31 December 2018	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

31. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Overseas Preference Shares in:										
USD	2014-12-10	Equity	6.00%	20USD/Share	147	2,940	17,991	None	Mandatory	No
EUR	2014-12-10	Equity	6.00%	15EUR/Share	40	600	4,558	None	Mandatory	No
RMB	2014-12-10	Equity	6.00%	100RMB/Share	120	12,000	12,000	None	Mandatory	No
Domestic Preference Shares in:										
RMB	2015-11-18	Equity	4.50%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
Total					757		79,549			
Less: Issue fees							174			
Book value							79,375			

(b) Main Clauses

(i) Overseas preference shares

a. Dividend

Fixed rate for a certain period (5 years for USD and RMB tranche and 7 years for EUR tranche) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The USD, EUR and RMB Preference Shareholders as well as the Domestic Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

f. Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. Redemption price is equal to issue price plus accrued dividend in current period.

USD Preference Shares: the First Redemption Date is five years after issuance

EUR Preference Shares: the First Redemption Date is seven years after issuance

RMB Preference Shares: the First Redemption Date is five years after issuance

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the liquidation preference of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(ii) Domestic preference shares

a. Dividend

Fixed rate for a certain period (5 years) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The paying order of domestic preference shares is equal to overseas preference shares. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The Domestic Preference Shareholders as well as Overseas Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of convertible bonds, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares. If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

f. Redemption

After five years have elapsed since the date of issuance (18 November 2015), under the premise of obtaining the approval of the CBIRC and compliance with regulatory requirements, the Group has right to redeem all or some of domestic preference shares. The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion. Redemption price is equal to book value plus accrued dividend in current period.

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(c) Changes in preference shares outstanding

		Preference Shares				
		Overseas			Domestic	
Financial instrument outstanding		**USD**	**EUR**	**RMB**	**RMB**	**Total**
1 January 2019	Amount (million shares)	147	40	120	450	757
and	In original currency (million)	2,940	600	12,000	45,000	N/A
30 June 2019	In RMB (million)	17,991	4,558	12,000	45,000	79,549

Note: The RMB amounts of offshore preference shares in U.S. dollar and Euro on 30 June 2019 are translated at the spot exchange rate on issuance date.

(2) Perpetual Bond

(a) Perpetual bond outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million pieces)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
USD Perpetual bond	2016-07-21	Equity	4.25%	1,000USD/Piece	1	1,000	6,691	None	None	No
Total					1		6,691			
Less: Issue fees							15			
Book value							6,676			

Note: USD perpetual bond was issued by ICBC Asia, a subsidiary of the Bank.

(b) Main Clauses

On 21 July 2016, ICBC Asia issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (hereinafter referred to as "Perpetual Bond") in the aggregate amount of US$1 billion (equivalent to approximately RMB6,676 million net of related issuance costs). Fixed rate for the first 5 years after issuance of the bond is 4.25%. If perpetual bonds are not called, distribution will be reset based on the then prevailing 5-year USA national bonds yield plus a fixed initial spread (3.135 per cent. Per annum) every 5 years.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2017. ICBC Asia has the right to cancel distribution payment (subject to the requirement as set out in the terms and conditions of the perpetual bond) and the distribution cancelled shall not be cumulative.

The perpetual bond will be written off up to the amount as directed by the Hong Kong Monetary Authority (hereinafter referred to as "HKMA") if the HKMA notifies ICBC Asia that in the opinion of the HKMA or a relevant government body, ICBC Asia would become non-viable if there is no written off of the principal. The perpetual bond also contains Hong Kong Bail-in Power. Each holder of the perpetual bond shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

(1) reduction or cancellation of all or a part of the principal and/or distribution of the perpetual bond;

(2) the conversion of all or a part of the principal and/or distribution of the perpetual bond into shares of ICBC Asia or another person; and/or

(3) the amendment of the maturity, distribution payment date and/or the distribution amount of the perpetual bond.

ICBC Asia has a call option to redeem all the outstanding perpetual bond from 21 July 2021 or any subsequent distribution payment date thereafter.

(c) Changes in perpetual bond outstanding

	1 January 2019			Movement during the period			30 June 2019		
Financial instrument outstanding	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)
USD Perpetual bond	1	1,000	6,691	–	–	–	1	1,000	6,691
Total	1	1,000	6,691	–	–	–	1	1,000	6,691

Note: The RMB amount of perpetual bond as at 30 June 2019 is translated at the spot exchange rate on issuance date.

(3) Interests attributable to equity instruments' holders

Items	1 January 2019	30 June 2019
1. Total equity attributable to equity holders of the parent company	2,330,001	2,413,376
(1) Equity attributable to ordinary equity holders of the parent company	2,243,950	2,327,325
(2) Equity attributable to other equity instruments holders of the parent company	86,051	86,051
2. Total equity attributable to non-controlling interests	14,882	15,519
(1) Equity attributable to non-controlling interests of ordinary shares	14,882	15,519
(2) Equity attributable to non-controlling interests of other equity instruments	–	–

32. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserve in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year-end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVOCI.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(In RMB millions, unless otherwise stated)

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

33. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVOCI	976	411
Less: Income tax effect	(193)	(82)
	783	329
Other comprehensive income recognised under equity method	5	6
Others	0	(3)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVOCI	5,476	16,081
Less: Amount transferred to profit or loss from other comprehensive income	(286)	216
Income tax effect	(1,196)	(4,353)
	3,994	11,944
Credit losses of debt instruments measured at FVOCI	(41)	(1,434)
Reserve from cash flow hedging instruments		
Losses during the period	(665)	(54)
Less: Income tax effect	22	14
	(643)	(40)
Other comprehensive income recognised under equity method	(356)	395
Foreign currency translation differences	1,011	(2,359)
Others	(9)	(230)
	4,744	8,608

(In RMB millions, unless otherwise stated)

34. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, asset management plans, trust plans and asset-backed securities and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

Group

	30 June 2019		31 December 2018	
	Carrying amount	Maximum explosure	Carrying amount	Maximum explosure
Investment funds	25,702	25,702	23,191	23,191
Asset management plans	401,026	401,026	324,773	324,773
Trust plans	40,731	40,731	39,966	39,966
Asset-backed securities	95,773	95,773	80,202	80,202
	563,232	563,232	468,132	468,132

The maximum exposures to loss in the above investment funds, asset management plans, trust plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date.

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognised relating to the Group's interests in structured entities sponsored by third party institutions:

Group

	30 June 2019		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	25,702	–	–
Asset management plans	382,709	–	18,317
Trust plans	24,797	–	15,934
Asset-backed securities	58,908	17,179	19,686
	492,116	17,179	53,937

(In RMB millions, unless otherwise stated)

	31 December 2018		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	23,191	–	–
Asset management plans	306,981	–	17,792
Trust plans	28,197	–	11,769
Asset-backed securities	60,284	5,917	14,001
	418,653	5,917	43,562

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 30 June 2019, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2019, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,331,814 million (31 December 2018: RMB2,575,857 million) and RMB1,196,156 million (31 December 2018: RMB1,308,500 million) respectively.

Six months ended 30 June 2019, the amount of the average exposure of financing transactions through placements and reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB68,919 million (31 December 2018: RMB73,105 million). The transactions were conducted in the ordinary course of business under normal terms and conditions.

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have an interest as at 30 June 2019

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 30 June 2019 was RMB51,003 million (the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2018 but matured before 30 June 2018 was RMB246,206 million).

Six months ended 30 June 2019, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB505 million (six months ended 30 June 2018: RMB824 million).

The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2019 but matured before 30 June 2019 was RMB2,000 million (the aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2018 but matured before 30 June 2018 was RMB66 million).

Six months ended 30 June 2019, the amount of income received from such category of investment funds was RMB0.36 million (six months ended 30 June 2018: RMB0.19 million).

(In RMB millions, unless otherwise stated)

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of balances of cash and cash equivalents

	Note	30 June 2019	30 June 2018
Cash on hand	13	61,402	66,668
Balances with central banks other than restricted deposits	13	896,273	472,585
Nostro accounts with banks and other financial institutions with original maturity of three months or less		175,579	227,678
Placements with banks and other financial institutions with original maturity of three months or less		279,712	256,559
Reverse repurchase agreements with original maturity of three months or less		829,107	497,333
		2,242,073	1,520,823

36. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may require or be required to pay additional cash collateral in certain circumstances. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the above mentioned assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	30 June 2019		31 December 2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	44,071	44,149	33,161	45,780
Securities lending agreements	212,804	–	273,685	–
	256,875	44,149	306,846	45,780

(In RMB millions, unless otherwise stated)

Securitisation transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB277,805 million as at 30 June 2019 (31 December 2018: RMB256,346 million) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB40,178 million as at 30 June 2019 (31 December 2018: RMB37,239 million).

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid are recorded as a financial liability. As at 30 June 2019, the Group does not have carrying amount of transferred assets that did not qualify for derecognition and carrying amount of their associated liabilities (31 December 2018: Nil).

37 SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial reports, no share appreciation rights have been granted.

38 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

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

(In RMB millions, unless otherwise stated)

(b) Operating lease commitments — Lessee

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

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

The group is the lessee in respect of a number of properties, electronic equipments, transport equipments and other office equipments held under leases which were previously classified as operating leases under IAS 17. The group has initially applied IFRS 16 using the modified retrospective approach as at 1 January 2019, and recognised the present value of outstanding lease payments as lease liabilities (Refer to note 2). From 1 January 2019 onwards, the present value of outstanding lease payments are recognised as lease liabilities in accordance with the requirement of IFRS16 (Refer to note 2 and note 29 (1)).

(c) Credit commitments

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

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

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

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

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

(In RMB millions, unless otherwise stated)

	30 June 2019	31 December 2018
Credit risk-weighted assets of credit commitments (i)	1,396,593	1,402,715

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

(d) Legal proceedings

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

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

(e) Redemption commitments of government bonds

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

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

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

39. DESIGNATED FUNDS AND LOANS

	30 June 2019	31 December 2018
Designated funds	943,169	920,829
Designated loans	942,226	920,476

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrust agreements signed by the Group and the trustors. The Group does not bear any risk.

(In RMB millions, unless otherwise stated)

40. ASSETS PLEDGED

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 30 June 2019, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB224,369 million (31 December 2018: RMB490,913 million).

41. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "net fee and commission income" set out in note 4. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

42. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in this interim financial report, the Group had the following transactions with related parties during the period:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 30 June 2019, the MOF directly owned approximately 34.60% (31 December 2018: approximately 34.60%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, including the subscription and redemption of government bonds issued by the MOF. Details of the major transactions are as follows:

	30 June 2019	31 December 2018
Balances at end of the period/year:		
The PRC government bonds and the special government bond	1,089,793	1,097,055

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Subscription of the PRC government bonds	288,680	254,030
Redemption of the PRC government bonds	195,552	112,867
Interest income on the PRC government bonds	19,519	16,979
Interest rate ranges during the period:	%	%
Bond investments	2.07 to 5.74	2.13 to 5.41

As at 30 June 2019, the Group holds a series of long-term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB90,309 million (31 December 2018: RMB90,309 million). The details of the Huarong bonds are included in note 18.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 42(g) "transactions with state-owned entities in the PRC".

(In RMB millions, unless otherwise stated)

(ii) Huijin

As at 30 June 2019, Central Huijin Investment Ltd. ("Huijin") directly owned approximately 34.71% (31 December 2018: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has a total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in the key state-owned financial institutions, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 30 June 2019, the Huijin Bonds held by the Bank are of an aggregate face value of RMB53,670 million (31 December 2018: RMB38,770 million), with terms ranging from 1 to 30 years and coupon rates ranging from 3.00% to 5.15% per annum. The Huijin Bonds are government-backed, short-term financing bills and medium-term notes. The Bank's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Bank.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the major transactions are as follows:

	30 June 2019	31 December 2018
Balances at end of the period/year:		
Debt securities purchased	54,988	39,563
Loans and advances to customers	12,013	27,007
Due to customers	8,472	11,499

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income on debt securities purchased	955	458
Interest income on loans and advances to customers	457	590
Interest expense on amounts due to customers	199	50
Interest rate ranges during the period:	%	%
Debt securities purchased	3.00 to 5.15	3.32 to 5.15
Loans and advances to customers	3.92 to 4.75	3.92 to 4.75
Due to customers	0.30 to 2.18	0.30 to 1.76

(In RMB millions, unless otherwise stated)

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions during the period conducted with these banks and financial institutions are as follows:

	30 June 2019	31 December 2018
Balances at end of the period/year:		
Debt securities purchased	523,997	523,519
Due from banks and other financial institutions	211,429	135,694
Loans and advances to customers	2,595	211
Derivative financial assets	4,972	6,335
Due to banks and other financial institutions	248,090	123,288
Derivative financial liabilities	5,902	6,988
Due to customers	962	933
Credit commitments	10,790	13,974

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income on debt securities purchased	9,145	10,093
Interest income on amounts due from banks and other financial institutions	1,108	422
Interest income on loans and advances to customers	32	18
Interest expense on amounts due to banks and other financial institutions	1,262	1,014
Interest expense on amounts due to customers	7	92
Interest rate ranges during the period:	%	%
Debt securities purchased	0 to 6.80	0 to 7.00
Due from banks and other financial institutions	-0.30 to 8.25	0 to 7.50
Loans and advances to customers	2.35 to 4.75	4.13 to 6.18
Due to banks and other financial institutions	0 to 8.22	0 to 8.17
Due to customers	0 to 2.85	0 to 3.90

The interest rates disclosed above vary across product groups and transactions depending on the maturity date, credit risk of counterparty and currency. In particular, given local market conditions, the spread of certain major or long dated transactions can vary across the market.

(b) Subsidiaries

	30 June 2019	31 December 2018
Balances at end of the period/year:		
Financial investments	28,284	27,638
Due from banks and other financial institutions	478,285	428,902
Loans and advances to customers	38,353	49,532
Derivative financial assets	2,420	2,059
Due to banks and other financial institutions	467,275	420,539
Derivative financial liabilities	1,127	985
Reverse repurchase agreements	4,687	4,479
Repurchase agreements	22,274	27,349
Credit commitments	133,725	151,512

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income on financial investments	37	75
Interest income on amounts due from banks and other financial institutions	568	526
Interest income on loans and advances to customers	291	479
Interest expense on amounts due to banks and other financial institutions	1,183	1,516
Fee and commission income	1,846	885
Interest rate ranges during the period:	%	%
Financial investments	3.25 to 6.46	0 to 4.00
Due from banks and other financial institutions	-0.38 to 4.78	0.01 to 4.50
Loans and advances to customers	0.25 to 5.80	1.40 to 5.83
Due to banks and other financial institutions	-0.06 to 5.00	-0.20 to 4.80

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(c) Associates and affiliates

	30 June 2019	31 December 2018
Balances at end of the period/year:		
Due from banks and other financial institutions	196	135
Loans and advances to customers	3,195	3,399
Derivative financial assets	1,567	1,558
Due to banks and other financial institutions	8,164	15,887
Due to customers	7	166
Derivative financial liabilities	608	433

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest income on amounts due from banks and other financial institutions	38	14
Interest income on loans and advances to customers	56	37
Interest expense on amounts due to banks and other financial institutions	272	129
Interest expense on amounts due to customers	0	0
Interest rate ranges during the period:	%	%
Due from banks and other financial institutions	0 to 14.00	0 to 14.00
Loans and advances to customers	1.50 to 4.20	2.62 to 3.87
Due to banks and other financial institutions	0 to 2.67	0 to 2.67
Due to customers	0 to 0.35	0 to 0.72

The major transactions between the Group and the associates and their affiliates mainly comprised due from banks and other financial institutions, loans and advances to customers and due to banks and other financial institutions and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Joint ventures and affiliates

	30 June 2019	31 December 2018
Balances at end of the period/year:		
Due to customers	19	71

	Six months ended 30 June	
	2019	2018
Transactions during the period:		
Interest expense on amounts due to customers	0	0
Interest rate ranges during the period:	%	%
Due to customers	0.01 to 1.00	0.01 to 0.30

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the period is as follows:

	Six months ended 30 June	
	2019 In RMB'000	2018 In RMB'000
Short-term employment benefits	4,042	5,707
Post-employment benefits	182	294
	4,224	6,001

Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control directly or indirectly are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties are as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Loans	2,468	2,513

During the reporting period, there were no other material transactions and balances with key management personnel on an individual basis. The Group enters into banking transactions with key management personnel in the normal course of business.

The aggregated balance of loans and credit card overdrafts to the persons which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB92.45 million as at 30 June 2019 (31 December 2018: RMB93.45 million).

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, the Annuity Fund holds A shares of the Bank with an amount of RMB80.38 million (31 December 2018: RMB4.41 million), and holds bonds issued by the Bank with an amount of RMB20.00 million (31 December 2018: Nil) as at 30 June 2019.

(g) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the reporting period, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established market pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

43. SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

(In RMB millions, unless otherwise stated)

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

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

	Six months ended 30 June 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	143,537	44,885	110,879	–	299,301
Internal net interest income/(expense)	3,501	64,702	(68,203)	–	–
Net fee and commission income	53,408	34,514	579	–	88,501
Other income, net (i)	3,224	127	976	2,074	6,401
Operating income	203,670	144,228	44,231	2,074	394,203
Operating expenses	(36,524)	(41,277)	(6,076)	(3,277)	(87,154)
Impairment losses on assets	(79,630)	(19,055)	(484)	(11)	(99,180)
Operating profit/(loss)	87,516	83,896	37,671	(1,214)	207,869
Share of profits of associates and joint ventures	–	–	–	1,340	1,340
Profit before taxation	87,516	83,896	37,671	126	209,209
Income tax expense					(40,519)
Profit for the period					168,690
Other segment information:					
Depreciation	4,486	3,540	1,093	101	9,220
Amortisation	589	396	187	16	1,188
Capital expenditure	10,201	7,967	2,530	232	20,930
As at 30 June 2019					
Segment assets	10,134,690	6,137,984	13,528,250	189,552	29,990,476
Including: Investments in associates and joint ventures	–	–	–	29,837	29,837
Property and equipment	115,854	97,457	30,854	41,263	285,428
Other non-current assets (ii)	42,429	13,956	6,241	15,284	77,910
Segment liabilities	12,397,742	11,307,747	3,497,286	358,806	27,561,581
Other segment information:					
Credit commitments	2,064,930	1,079,456	–	–	3,144,386

(i) Includes net trading income, net (loss)/gain on financial investments and other operating income/(expense) (net).

(ii) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(In RMB millions, unless otherwise stated)

	Six months ended 30 June 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	132,780	41,475	103,361	–	277,616
Internal net interest income/(expense)	863	61,637	(62,500)	–	–
Net fee and commission income	44,294	34,717	249	–	79,260
Other (expense)/income, net (i)	(1,158)	2	2,641	2,941	4,426
Operating income	176,779	137,831	43,751	2,941	361,302
Operating expenses	(30,664)	(40,399)	(8,056)	(2,839)	(81,958)
Impairment losses on assets	(66,539)	(18,576)	1,705	(48)	(83,458)
Operating profit	79,576	78,856	37,400	54	195,886
Share of profits of associates and joint ventures	–	–	–	1,330	1,330
Profit before taxation	79,576	78,856	37,400	1,384	197,216
Income tax expense					(36,559)
Profit for the period					160,657
Other segment information:					
Depreciation	2,809	2,521	1,119	212	6,661
Amortisation	485	366	205	68	1,124
Capital expenditure	10,169	9,046	4,043	810	24,068
As at 31 December 2018					
Segment assets	9,706,611	5,711,799	12,095,016	186,114	27,699,540
Including: Investments in associates and joint ventures	–	–	–	29,124	29,124
Property and equipment	107,201	95,256	42,370	45,577	290,404
Other non-current assets (ii)	20,760	6,982	4,241	15,863	47,846
Segment liabilities	12,292,100	9,664,481	3,179,501	218,575	25,354,657
Other segment information:					
Credit commitments	2,222,156	1,007,356	–	–	3,229,512

(i) Includes net trading income, net gain on financial investments and other operating (expense)/income (net).

(ii) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

(b) Geographical information

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

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

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

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

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

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

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

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

(In RMB millions, unless otherwise stated)

	Six months ended 30 June 2019									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	121,746	32,147	31,146	14,437	31,135	42,004	8,685	18,001	–	299,301
Internal net interest (expense)/income	(84,588)	16,663	5,492	46,868	7,478	5,186	3,710	(809)	–	–
Net fee and commission income	13,306	19,804	14,408	12,921	9,452	11,644	2,494	5,881	(1,409)	88,501
Other income/(expense), net (i)	5,426	(2,227)	(488)	(2,511)	(1,118)	(1,361)	(112)	7,427	1,365	6,401
Operating income	55,890	66,387	50,558	71,715	46,947	57,473	14,777	30,500	(44)	394,203
Operating expenses	(6,953)	(12,885)	(10,639)	(14,541)	(12,609)	(14,380)	(5,061)	(10,139)	53	(87,154)
Impairment losses on assets	(15,480)	(12,831)	(13,368)	(24,589)	(11,228)	(13,410)	(6,209)	(2,065)	–	(99,180)
Operating profit	33,457	40,671	26,551	32,585	23,110	29,683	3,507	18,296	9	207,869
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	1,340	–	1,340
Profit before taxation	33,457	40,671	26,551	32,585	23,110	29,683	3,507	19,636	9	209,209
Income tax expense										(40,519)
Profit for the period										168,690
Other segment information:										
Depreciation	902	1,303	1,019	1,503	1,456	1,650	651	736	–	9,220
Amortisation	400	120	100	110	135	163	37	123	–	1,188
Capital expenditure	1,017	1,669	1,073	2,487	957	1,489	482	11,756	–	20,930

(i) Includes net trading income, net (loss)/gain on financial investments and other operating income/(expense) (net).

	As at 30 June 2019									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	11,359,666	5,174,426	3,252,602	3,749,475	2,725,511	3,470,400	1,049,732	3,895,410	(4,745,703)	29,931,519
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	29,837	–	29,837
Property and equipment	11,533	31,719	11,336	19,528	17,809	22,230	9,374	161,899	–	285,428
Other non-current assets (i)	12,086	8,013	5,781	7,013	8,674	12,071	1,995	22,277	–	77,910
Unallocated assets										58,957
Total assets										29,990,476
Liabilities by geographical areas	8,895,440	5,798,475	2,714,057	6,236,876	2,821,507	3,372,634	1,197,202	1,213,437	(4,745,712)	27,503,916
Unallocated liabilities										57,665
Total liabilities										27,561,581
Other segment information:										
Credit commitments	1,213,463	698,442	412,244	595,865	248,406	441,310	96,646	709,719	(1,271,709)	3,144,386

(i) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(In RMB millions, unless otherwise stated)

	Six months ended 30 June 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	109,420	29,759	26,494	16,451	28,738	39,384	8,819	18,551	–	277,616
Internal net interest (expense)/income	(64,623)	12,690	6,614	37,018	5,690	2,728	2,656	(2,773)	–	–
Net fee and commission income	2,231	20,637	15,862	13,016	9,560	11,336	2,596	4,037	(15)	79,260
Other (expense)/income, net (i)	(2,576)	399	(140)	(957)	242	737	(120)	6,846	(5)	4,426
Operating income	44,452	63,485	48,830	65,528	44,230	54,185	13,951	26,661	(20)	361,302
Operating expenses	(7,402)	(11,715)	(9,944)	(13,881)	(11,940)	(13,100)	(5,085)	(8,911)	20	(81,958)
Impairment losses on assets	(17,902)	(10,352)	(10,369)	(17,775)	(8,981)	(10,408)	(5,699)	(1,972)	–	(83,458)
Operating profit	19,148	41,418	28,517	33,872	23,309	30,677	3,167	15,778	–	195,886
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	1,330	–	1,330
Profit before taxation	19,148	41,418	28,517	33,872	23,309	30,677	3,167	17,108	–	197,216
Income tax expense										(36,559)
Profit for the period										160,657
Other segment information:										
Depreciation	863	895	619	1,002	1,171	1,351	557	203	–	6,661
Amortisation	364	116	97	91	136	164	41	115	–	1,124
Capital expenditure	1,135	1,161	131	396	298	336	186	20,425	–	24,068

(i) Includes net trading income, net gain on financial investments and other operating (expense)/income (net).

	As at 31 December 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,803,222	5,860,977	3,700,969	4,085,516	2,758,294	3,530,531	1,120,364	3,695,699	(6,914,407)	27,641,165
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	29,124	–	29,124
Property and equipment	12,038	31,408	11,332	18,605	18,359	22,807	9,650	166,205	–	290,404
Other non-current assets (i)	11,606	5,839	3,458	3,926	6,750	10,449	1,581	4,237	–	47,846
Unallocated assets										58,375
Total assets										27,699,540
Liabilities by geographical areas	7,532,137	6,166,615	3,719,458	6,639,630	2,733,284	3,378,285	1,134,009	879,687	(6,914,407)	25,268,698
Unallocated liabilities										85,959
Total liabilities										25,354,657
Other segment information:										
Credit commitments	1,140,804	652,201	372,549	544,264	231,154	412,271	82,387	720,824	(926,942)	3,229,512

(i) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

44. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the "Board") has the ultimate responsibility for the risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments to monitor financial risks within the Group, including the Credit Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to risk management departments of both the Head Office and the management of the relevant branches.

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas in addition to the credit risk arising from the Group's loans, due from banks and other financial institutions and financial investments. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments will be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance.

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria at the timing of recognition:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral;

(iii) The corporate borrower has the above matters in other financial institutions refers to (i), (ii)

The Group defines a retail business borrower as in default when single credit assets of borrowers meets one or more of the following criteria:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) Write-offs;

(iii) The Group considers the borrower is unlikely to pay its credit obligations to the Group in full.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

Description of parameters, assumptions, and estimation techniques

Expected credit losses ("ECL") for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition or whether an asset is considered to be credit-impaired. The loss allowance for loans and advances to customers, other than those corporate loans and advance to customers which are credit-impaired, is measured using the risk parameters method. The key parameters include Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money. Related definitions are as follows:

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, with taking the forward-looking information into account;

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The impairment loss on credit-impaired corporate loans and advance to customers applied cash flow discount method, if there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables, including Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Purchasing Managers' Index ("PMI"), M2, Industrial Added Value and Real Estate Climate Index, impacting ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic variables are provided quarterly by the Group at least and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

(In RMB millions, unless otherwise stated)

Write-off policy

The Group writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Contractual modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The following table includes carrying amount of rescheduled loans and advance to customers:

	30 June 2019	31 December 2018
Rescheduled loans and advances to customers	8,022	7,211
Impaired loans and advances to customers included in above	3,934	3,112

Collaterals and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 30 June 2019, the gross carrying amount of corporate loans and discounted bills amounted to RMB10,232,867 million (31 December 2018: RMB9,783,331 million), of which credit exposure covered by collateral amounted to RMB3,148,640 million (31 December 2018: RMB3,208,571 million).

Retail loans are mainly collateralised by residential properties. As at 30 June 2019, the gross carrying amount of retail loans amounted to RMB6,038,357 million (31 December 2018: RMB5,636,574 million), of which credit exposure covered by collateral amounted to RMB5,293,252 million (31 December 2018: RMB4,913,432 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

During the reporting period, the Group took possession of collateral held as security with a carrying amount of RMB307 million (six months ended 30 June 2018: RMB1,124 million).

(In RMB millions, unless otherwise stated)

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	30 June 2019	31 December 2018
Balances with central banks	3,931,710	3,302,529
Due from banks and other financial institutions	955,009	962,449
Derivative financial assets	61,598	71,335
Reverse repurchase agreements	954,807	734,049
Loans and advances to customers	15,854,208	15,046,132
Financial investments		
— Financial investments measured at FVTPL	818,176	750,957
— Financial investments measured at FVOCI	1,439,334	1,400,244
— Financial investments measured at amortised cost	4,856,550	4,519,182
Others	197,172	166,363
	29,068,564	26,953,240
Credit commitments	3,144,386	3,229,512
Total maximum credit risk exposure	32,212,950	30,182,752

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(In RMB millions, unless otherwise stated)

By geographical distribution

The following tables set out the breakdown of the Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical distribution:

	30 June 2019								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	3,416,031	69,380	32,587	127,362	19,133	29,605	11,216	226,396	3,931,710
Due from banks and other financial institutions	593,901	10,492	1,388	398	217	762	232	347,619	955,009
Derivative financial assets	22,262	1,149	636	381	72	379	191	36,528	61,598
Reverse repurchase agreements	738,894	–	–	–	–	–	–	215,913	954,807
Loans and advances to customers	700,681	2,944,543	2,163,911	2,571,408	2,299,026	2,818,977	753,921	1,601,741	15,854,208
Financial investments									
— Financial investments measured at FVTPL	761,150	1,643	1,231	2,504	717	930	245	49,756	818,176
— Financial investments measured at FVOCI	857,857	30,961	16,601	168,542	14,660	20,515	626	329,572	1,439,334
— Financial investments measured at amortised cost	4,301,213	25,741	27,574	24,362	67,175	104,230	15,466	290,789	4,856,550
Others	66,290	11,655	8,690	15,780	15,462	16,235	3,933	59,127	197,172
	11,458,279	3,095,564	2,252,618	2,910,737	2,416,462	2,991,633	785,830	3,157,441	29,068,564
Credit commitments	1,123,225	475,417	300,253	398,164	144,192	203,810	72,133	427,192	3,144,386
Total maximum credit risk exposure	12,581,504	3,570,981	2,552,871	3,308,901	2,560,654	3,195,443	857,963	3,584,633	32,212,950

The compositions of each geographical distribution above are set out in note 43(b).

	31 December 2018								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North eastern China	Overseas and others	Total
Balances with central banks	2,870,736	82,669	32,256	80,490	17,367	32,409	10,447	176,155	3,302,529
Due from banks and other financial institutions	561,322	15,052	1,857	427	222	599	103	382,867	962,449
Derivative financial assets	29,741	2,095	849	358	130	241	109	37,812	71,335
Reverse repurchase agreements	505,600	–	–	–	–	–	–	228,449	734,049
Loans and advances to customers	687,466	2,763,624	2,020,113	2,454,608	2,148,413	2,668,607	731,538	1,571,763	15,046,132
Financial investments									
— Financial investments measured at FVTPL	699,223	1,219	914	6,016	520	685	174	42,206	750,957
— Financial investments measured at FVOCI	857,356	34,529	18,218	174,673	16,997	21,665	432	276,374	1,400,244
— Financial investments measured at amortised cost	3,997,484	24,694	25,637	22,827	59,701	90,710	13,720	284,409	4,519,182
Others	18,130	27,297	61,931	3,383	2,393	2,038	395	50,796	166,363
	10,227,058	2,951,179	2,161,775	2,742,782	2,245,743	2,816,954	756,918	3,050,831	26,953,240
Credit commitments	1,047,736	522,667	332,232	417,287	160,755	250,303	75,541	422,991	3,229,512
Total maximum credit risk exposure	11,274,794	3,473,846	2,494,007	3,160,069	2,406,498	3,067,257	832,459	3,473,822	30,182,752

The compositions of each geographical distribution above are set out in note 43(b).

(In RMB millions, unless otherwise stated)

By industry and issuers distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	30 June 2019	31 December 2018
Transportation, storage and postal services	2,167,589	2,070,542
Manufacturing	1,659,218	1,569,387
Leasing and commercial services	1,230,749	1,145,342
Production and supply of electricity, heating, gas and water	1,022,428	1,004,744
Real estate	923,768	850,038
Water, environment and public utility management	892,115	786,803
Wholesale and retail	604,708	626,059
Finance	324,035	295,271
Construction	293,849	265,149
Mining	229,433	234,976
Science, education, culture and sanitation	223,207	196,046
Others	334,947	374,537
Subtotal for corporate loans and advances	9,906,046	9,418,894
Personal mortgage and business loans	5,217,397	4,805,944
Others	820,960	830,630
Subtotal for personal loans	6,038,357	5,636,574
Discounted bills	326,821	364,437
Total for loans and advances to customers	16,271,224	15,419,905

(In RMB millions, unless otherwise stated)

The following tables present an analysis of debt securities (excluding accrued interest) by types of issuers and investments:

	30 June 2019			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	79,217	411,746	3,976,730	4,467,693
Policy banks	45,708	206,662	437,158	689,528
Public sector entities	21,047	202,119	5,589	228,755
Banks and other financial institutions	163,312	348,466	294,485	806,263
Corporate entities	30,440	249,100	36,574	316,114
	339,724	1,418,093	4,750,536	6,508,353

	31 December 2018			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	42,296	413,941	3,617,465	4,073,702
Policy banks	49,291	223,877	501,564	774,732
Public sector entities	7,284	201,183	8,555	217,022
Banks and other financial institutions	126,420	302,685	264,645	693,750
Corporate entities	18,458	235,641	35,771	289,870
	243,749	1,377,327	4,428,000	6,049,076

(In RMB millions, unless otherwise stated)

Distribution of debt securities investments (excluding accrued interest) analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The carrying amounts of debt securities investments analysed by rating as at the end of the reporting period are as follows:

	30 June 2019					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,460,968	2,969,564	5,780	12,749	18,632	4,467,693
Policy banks	670,881	3,715	1,137	13,161	634	689,528
Public sector entities	9,849	207,263	368	11,275	–	228,755
Banks and other financial institutions	284,994	338,151	20,157	98,228	64,733	806,263
Corporate entities	73,552	137,752	7,594	51,344	45,872	316,114
	2,500,244	3,656,445	35,036	186,757	129,871	6,508,353

	31 December 2018					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,479,735	2,557,514	5,217	15,840	15,396	4,073,702
Policy banks	758,698	2,289	965	11,894	886	774,732
Public sector entities	130	204,822	123	11,947	–	217,022
Banks and other financial institutions	232,352	312,628	17,605	72,531	58,634	693,750
Corporate entities	53,371	146,240	9,030	44,650	36,579	289,870
	2,524,286	3,223,493	32,940	156,862	111,495	6,049,076

(In RMB millions, unless otherwise stated)

(iii) Analysis on the credit quality of financial instruments

As at 30 June 2019, the Group's credit risk stages of financial instruments are as follows:

	30 June 2019							
	Book value				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,993,112	–	–	3,993,112	–	–	–	–
Due from banks and other financial institutions	945,700	10,215	–	955,915	(889)	(17)	–	(906)
Reverse repurchase agreements	803,821	–	–	803,821	(50)	–	–	(50)
Loans and advances to customers	15,306,029	442,297	240,086	15,988,412	(214,251)	(80,824)	(165,761)	(460,836)
Including: Corporate loans and advances	9,314,707	414,954	198,381	9,928,042	(160,672)	(72,872)	(126,973)	(360,517)
Personal loans	5,984,031	27,343	41,705	6,053,079	(53,577)	(7,952)	(38,788)	(100,317)
Discounted bills	7,291	–	–	7,291	(2)	–	–	(2)
Financial investments	4,854,765	4,521	163	4,859,449	(1,812)	(962)	(125)	(2,899)
Precious metal leasing	174,395	741	96	175,232	(633)	(222)	(52)	(907)
Total	26,077,822	457,774	240,345	26,775,941	(217,635)	(82,025)	(165,938)	(465,598)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	30 June 2019							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	324,753	12	–	324,765	(180)	(0)	–	(180)
Including: Corporate loans and advances	5,225	10	–	5,235	(17)	(0)	–	(17)
Discounted bills	319,528	2	–	319,530	(163)	(0)	–	(163)
Financial investments	1,438,473	861	–	1,439,334	(1,862)	(74)	(196)	(2,132)
Total	1,763,226	873	–	1,764,099	(2,042)	(74)	(196)	(2,312)
Credit commitments	3,092,603	50,998	785	3,144,386	(29,861)	(4,922)	(340)	(35,123)

(In RMB millions, unless otherwise stated)

As at 31 December 2018, the Group's credit risk stages of financial instruments are as follows:

	31 December 2018							
	Book value				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,372,576	–	–	3,372,576	–	–	–	–
Due from banks and other financial institutions	954,413	9,051	–	963,464	(993)	(22)	–	(1,015)
Reverse repurchase agreements	559,295	–	–	559,295	(40)	–	–	(40)
Loans and advances to customers	14,310,149	552,086	234,777	15,097,012	(158,084)	(81,406)	(173,241)	(412,731)
Including: Corporate loans and advances	8,714,321	527,291	194,637	9,436,249	(109,399)	(74,298)	(136,499)	(320,196)
Personal loans	5,585,639	24,795	40,120	5,650,554	(48,670)	(7,108)	(36,722)	(92,500)
Discounted bills	10,189	–	20	10,209	(15)	–	(20)	(35)
Financial investments	4,516,711	4,793	161	4,521,665	(1,504)	(854)	(125)	(2,483)
Precious metal leasing	103,110	750	329	104,189	(530)	(226)	(202)	(958)
Total	23,816,254	566,680	235,267	24,618,201	(161,151)	(82,508)	(173,568)	(417,227)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	31 December 2018							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	360,234	1	248	360,483	(198)	(0)	(248)	(446)
Including: Corporate loans and advances	6,255	–	–	6,255	(13)	–	–	(13)
Discounted bills	353,979	1	248	354,228	(185)	(0)	(248)	(433)
Financial investments	1,398,443	1,801	–	1,400,244	(1,622)	(92)	(196)	(1,910)
Total	1,758,677	1,802	248	1,760,727	(1,820)	(92)	(444)	(2,356)
Credit commitments	3,175,598	53,160	754	3,229,512	(28,811)	(5,342)	(562)	(34,715)

(In RMB millions, unless otherwise stated)

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although the Group remains solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- Optimising the structure of assets and liabilities;
- Maintaining the stability of the deposit base;
- Projecting cash flows and evaluating the level of current assets; and
- In terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(i) Analysis of the remaining maturity of the Group's assets and liabilities is set out below:

The Group's expected the remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	30 June 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	1,247,074	–	3,406	11,543	–	–	2,731,089	3,993,112
Due from banks and other financial institutions (*)	144,581	1,105,156	210,215	397,016	52,344	504	–	1,909,816
Derivative financial assets	115	10,193	10,305	22,807	11,356	6,822	–	61,598
Loans and advances to customers	23,275	912,233	707,113	2,771,741	3,692,406	7,667,675	79,765	15,854,208
Financial investments								
— Financial investments measured at FVTPL	7,170	11,207	34,892	146,687	440,255	167,747	81,965	889,923
— Financial investments measured at FVOCI	–	65,465	101,879	225,953	774,627	271,410	33,290	1,472,624
— Financial investments measured at amortised cost	180	95,663	159,995	395,979	2,515,972	1,686,584	2,177	4,856,550
Investments in associates and joint ventures	–	–	–	–	–	–	29,837	29,837
Property and equipment	–	–	–	–	–	–	285,428	285,428
Others	359,689	66,415	53,738	22,759	34,760	31,589	68,430	637,380
Total assets	1,782,084	2,266,332	1,281,543	3,994,485	7,521,720	9,832,331	3,311,981	29,990,476
Liabilities:								
Due to central banks	206	–	616	–	410	–	–	1,232
Financial liabilities designated as at FVTPL	60,151	289	923	17,969	11,515	1,958	–	92,805
Derivative financial liabilities	760	13,581	11,286	35,452	10,520	6,954	–	78,553
Due to banks and other financial institutions (**)	1,432,824	440,592	176,128	326,948	43,231	46,623	–	2,466,346
Certificates of deposit	333	67,155	143,862	112,397	38,121	103	–	361,971
Due to customers	12,693,799	1,012,838	1,362,294	4,732,423	3,303,878	20,205	–	23,125,437
Debt securities issued	–	20,627	17,908	67,331	274,584	394,960	–	775,410
Others	215,004	236,719	36,351	118,959	39,032	13,762	–	659,827
Total liabilities	14,403,077	1,791,801	1,749,368	5,411,479	3,721,291	484,565	–	27,561,581
Net liquidity gap	(12,620,993)	474,531	(467,825)	(1,416,994)	3,800,429	9,347,766	3,311,981	2,428,895

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

	31 December 2018							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	564,172	–	–	7,303	–	–	2,801,101	3,372,576
Due from banks and other financial institutions (*)	153,907	897,537	257,859	316,762	69,856	577	–	1,696,498
Derivative financial assets	61	13,448	15,369	24,278	11,645	6,534	–	71,335
Loans and advances to customers	21,943	914,097	621,648	2,600,254	3,567,565	7,249,737	70,888	15,046,132
Financial investments								
— Financial investments measured at FVTPL	6,164	44,236	44,671	109,843	405,552	131,963	62,918	805,347
— Financial investments measured at FVOCI	–	52,098	57,803	244,232	775,046	272,032	28,952	1,430,163
— Financial investments measured at amortised cost	7	39,686	130,695	415,725	2,473,116	1,459,953	–	4,519,182
Investments in associates and joint ventures	–	–	–	–	–	–	29,124	29,124
Property and equipment	–	–	–	–	–	–	290,404	290,404
Others	257,916	49,564	19,372	15,912	18,176	38,240	39,599	438,779
Total assets	1,004,170	2,010,666	1,147,417	3,734,309	7,320,956	9,159,036	3,322,986	27,699,540
Liabilities:								
Due to central banks	–	–	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	67,859	478	382	5,570	11,334	1,777	–	87,400
Derivative financial liabilities	415	14,081	15,570	28,094	9,778	5,635	–	73,573
Due to banks and other financial institutions (**)	1,129,334	510,830	302,505	310,489	31,569	44,569	–	2,329,296
Certificates of deposit	–	60,071	126,157	140,227	14,450	449	–	341,354
Due to customers	11,578,642	919,716	1,337,250	4,978,718	2,582,550	12,058	–	21,408,934
Debt securities issued	–	19,689	7,021	65,335	238,450	287,347	–	617,842
Others	285,333	53,041	33,234	90,604	20,299	13,266	–	495,777
Total liabilities	13,061,583	1,577,906	1,822,119	5,619,108	2,908,840	365,101	–	25,354,657
Net liquidity gap	(12,057,413)	432,760	(674,702)	(1,884,799)	4,412,116	8,793,935	3,322,986	2,344,883

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the consolidated statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(In RMB millions, unless otherwise stated)

	30 June 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	1,247,074	–	7,093	11,543	–	–	2,731,089	3,996,799
Due from banks and other financial institutions (*)	148,983	1,107,996	213,976	407,062	58,730	528	–	1,937,275
Loans and advances to customers (**)	26,881	996,950	900,043	3,496,230	6,344,219	11,911,825	252,432	23,928,580
Financial investments								
— Financial investments measured at FVTPL	6,976	11,274	35,837	150,740	438,147	193,354	81,748	918,076
— Financial investments measured at FVOCI	–	65,514	103,229	251,921	860,600	318,387	27,512	1,627,163
— Financial investments measured at amortised cost	–	85,864	152,091	510,046	2,981,814	1,968,012	3,095	5,700,922
Others	361,799	33,810	31,976	4,422	4,983	1,360	763	439,113
	1,791,713	2,301,408	1,444,245	4,831,964	10,688,493	14,393,466	3,096,639	38,547,928

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

	30 June 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	206	–	619	–	410	–	–	1,235
Financial liabilities designated as at FVTPL	60,186	289	963	18,142	13,296	2,413	–	95,289
Due to banks and other financial institutions (*)	1,439,362	442,844	179,244	335,551	49,710	66,333	–	2,513,044
Certificates of deposit	333	67,756	146,708	116,143	38,513	107	–	369,560
Due to customers	12,699,464	1,013,820	1,394,411	4,820,911	3,423,339	20,689	–	23,372,634
Debt securities issued	–	21,271	22,865	91,432	376,278	629,245	–	1,141,091
Others	352,425	8,248	2,305	10,871	29,924	13,768	–	417,541
	14,551,976	1,554,228	1,747,115	5,393,050	3,931,470	732,555	–	27,910,394
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	233	(31)	85	(1,202)	47	–	(868)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	13,431	2,386,069	1,287,451	2,280,150	171,805	9,581	–	6,148,487
Cash outflow	(9,447)	(2,335,872)	(1,278,847)	(2,271,045)	(154,487)	(8,330)	–	(6,058,028)
	3,984	50,197	8,604	9,105	17,318	1,251	–	90,459

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

	31 December 2018							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	564,172	–	3,781	7,303	–	–	2,801,101	3,376,357
Due from banks and other financial institutions (*)	154,798	902,607	318,728	342,153	101,025	710	–	1,820,021
Loans and advances to customers (**)	22,507	988,987	801,611	3,301,244	6,077,004	11,176,249	238,194	22,605,796
Financial investments								
— Financial investments measured at FVTPL	5,844	44,867	46,378	118,910	417,216	152,175	63,225	848,615
— Financial investments measured at FVOCI	196	52,536	59,844	270,134	873,992	321,176	23,757	1,601,635
— Financial investments measured at amortised cost	106	40,020	136,471	504,023	2,904,342	1,681,478	–	5,266,440
Others	297,855	19,034	12,285	5,497	6,639	688	1,016	343,014
	1,045,478	2,048,051	1,379,098	4,549,264	10,380,218	13,332,476	3,127,293	35,861,878

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

	31 December 2018							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	69,065	484	389	5,674	13,173	1,848	–	90,633
Due to banks and other financial institutions (*)	1,129,795	514,886	310,656	321,458	36,610	61,249	–	2,374,654
Certificates of deposit	–	60,697	127,262	144,261	14,952	569	–	347,741
Due to customers	11,595,139	937,070	1,379,365	5,075,713	2,685,178	13,414	–	21,685,879
Debt securities issued	–	20,209	10,896	86,316	317,424	490,724	–	925,569
Others	270,385	11,949	1,719	2,418	15,164	6,453	–	308,088
	13,064,384	1,545,295	1,830,287	5,635,911	3,082,911	574,257	–	25,733,045
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	(1,675)	54	65	3	1,270	–	(283)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	23,964	1,825,500	1,206,634	2,562,995	182,370	38,339	–	5,839,802
Cash outflow	(18,965)	(1,786,499)	(1,188,652)	(2,547,242)	(161,666)	(37,690)	–	(5,740,714)
	4,999	39,001	17,982	15,753	20,704	649	–	99,088

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments will be drawn before the expiry of the commitments.

	30 June 2019						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,276,966	128,579	194,518	560,878	758,921	224,524	3,144,386

	31 December 2018						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,167,456	143,694	236,602	614,062	873,022	194,676	3,229,512

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The analysis of the interest rate risk in the banking book is disclosed in note 44(d).

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios of the parent company and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

(In RMB millions, unless otherwise stated)

A summary of VaR by risk type of the Group's trading portfolios is as follows:

	Six months ended 30 June 2019			
	30 June 2019	Average	Highest	Lowest
Interest rate risk	52	57	71	30
Currency risk	97	77	111	54
Commodity risk	36	52	77	6
Total portfolio VaR	126	106	140	64

	Six months ended 30 June 2018			
	30 June 2018	Average	Highest	Lowest
Interest rate risk	27	32	42	24
Currency risk	115	61	115	43
Commodity risk	23	25	39	13
Total portfolio VaR	102	73	102	52

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaR does not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(ii) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies to a lesser extent. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge currency risk, and performing currency risk sensitivity analysis and stress testing regularly.

(In RMB millions, unless otherwise stated)

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the end of the reporting period are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this currency risk.

		Effect on profit before taxation		Effect on equity	
Currency	Change in currency rate	30 June 2019	31 December 2018	30 June 2019	31 December 2018
USD	-1%	(11)	44	(363)	(332)
HKD	-1%	223	366	(1,437)	(1,298)

While the table above indicates the effect on profit before taxation and equity of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

A breakdown of the assets and liabilities analysed by currency is as follows:

	30 June 2019				
	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,716,488	145,144	8,287	123,193	3,993,112
Due from banks and other financial institutions (*)	1,207,251	584,459	37,928	80,178	1,909,816
Derivative financial assets	25,049	18,916	6,786	10,847	61,598
Loans and advances to customers	14,278,835	942,412	353,219	279,742	15,854,208
Financial investments					
— Financial investments measured at FVTPL	837,720	33,693	6,928	11,582	889,923
— Financial investments measured at FVOCI	1,075,861	302,624	27,605	66,534	1,472,624
— Financial investments measured at amortised cost	4,668,985	97,610	23,400	66,555	4,856,550
Investments in associates and joint ventures	1,367	947	171	27,352	29,837
Property and equipment	139,367	144,035	750	1,276	285,428
Others	316,628	109,692	11,725	199,335	637,380
Total assets	26,267,551	2,379,532	476,799	866,594	29,990,476
Liabilities:					
Due to central banks	–	206	617	409	1,232
Financial liabilities designated as at FVTPL	29,878	2,895	–	60,032	92,805
Derivative financial liabilities	41,240	22,988	5,909	8,416	78,553
Due to banks and other financial institutions (**)	1,514,388	761,822	44,766	145,370	2,466,346
Certificates of deposit	25,268	255,973	21,605	59,125	361,971
Due to customers	21,644,992	868,922	383,156	228,367	23,125,437
Debt securities issued	405,160	323,213	4,167	42,870	775,410
Others	529,294	120,413	10,112	8	659,827
Total liabilities	24,190,220	2,356,432	470,332	544,597	27,561,581
Net position	2,077,331	23,100	6,467	321,997	2,428,895
Credit commitments	2,394,367	519,272	62,154	168,593	3,144,386

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

	31 December 2018				
	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,157,631	121,780	8,121	85,044	3,372,576
Due from banks and other financial institutions (*)	990,549	621,782	26,561	57,606	1,696,498
Derivative financial assets	29,939	28,169	4,817	8,410	71,335
Loans and advances to customers	13,537,076	882,110	341,564	285,382	15,046,132
Financial investments					
— Financial investments measured at FVTPL	763,190	29,984	2,641	9,532	805,347
— Financial investments measured at FVOCI	1,112,791	253,590	4,011	59,771	1,430,163
— Financial investments measured at amortised cost	4,354,632	89,283	24,594	50,673	4,519,182
Investments in associates and joint ventures	827	1,687	–	26,610	29,124
Property and equipment	139,113	149,249	754	1,288	290,404
Others	186,738	110,120	6,360	135,561	438,779
Total assets	24,272,486	2,287,754	419,423	719,877	27,699,540
Liabilities:					
Due to central banks	2	–	–	479	481
Financial liabilities designated as at FVTPL	11,698	11,374	–	64,328	87,400
Derivative financial liabilities	32,412	31,708	1,752	7,701	73,573
Due to banks and other financial institutions (**)	1,475,121	677,109	27,341	149,725	2,329,296
Certificates of deposit	27,086	242,586	13,115	58,567	341,354
Due to customers	20,059,293	823,474	313,342	212,825	21,408,934
Debt securities issued	273,881	301,010	4,125	38,826	617,842
Others	376,027	91,201	10,143	18,406	495,777
Total liabilities	22,255,520	2,178,462	369,818	550,857	25,354,657
Net position	2,016,966	109,292	49,605	169,020	2,344,883
Credit commitments	2,476,089	551,927	65,563	135,933	3,229,512

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(d) Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in interest rate and term structure, etc. This risk may occur in the following situations: when the interest rate fluctuates, because the repricing period of different financial instruments is different, the debt interest rate repricing date is earlier than the asset interest rate when interest rate rising and vice versa. The bank will face to the risk of reduced or even negative spreads over certain period of time; when the pricing benchmark interest rates are different, the changes in the benchmark interest rates are inconsistent; when there are embedded option terms or implied options in the business of holding options derivatives or banking book's on and off balance sheet business; and due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes, leading to changes in credit spreads.

The Group manages the interest rate risk of banking book through the Asset and the Liability Management Department, following methods have been adopted:

- Interest rate prediction: analysing the macroeconomic factors that may impact on the PBOC benchmark interest rates and market interest rates;
- Duration management: optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities;
- Pricing management: managing the deviation of the pricing of interest-generating assets and the benchmark interest rates or market interest rates;
- Quota management: optimising the positions of interest-generating assets and interest-bearing liabilities and control the impact on profit and loss and equity; and
- Derivative trading: using interest rate derivatives for hedging management in a timely manner.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net interest income and equity. The following table lists the data including the trading book.

The effect of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at the end of the period that are subject to repricing within the coming year, including the effect of hedging instruments. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at the end of the period, including the effect of any associated hedges.

(In RMB millions, unless otherwise stated)

	30 June 2019			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(24,494)	(51,865)	24,494	54,404
USD	(1,034)	(3,467)	1,034	3,468
HKD	(253)	(72)	253	72
Others	230	(383)	(230)	383
Total	(25,551)	(55,787)	25,551	58,327

	31 December 2018			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(3,281)	(30,513)	3,281	33,093
USD	(1,645)	(5,679)	1,645	5,683
HKD	936	–	(936)	–
Others	(59)	(690)	59	691
Total	(4,049)	(36,882)	4,049	39,467

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

	30 June 2019					
	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,628,981	–	–	–	364,131	3,993,112
Due from banks and other financial institutions (*)	1,454,362	396,454	45,662	504	12,834	1,909,816
Derivative financial assets	–	–	–	–	61,598	61,598
Loans and advances to customers	6,198,164	9,290,552	141,846	171,770	51,876	15,854,208
Financial investments						
— Financial investments measured at FVTPL	108,050	118,760	114,244	101,317	447,552	889,923
— Financial investments measured at FVOCI	260,988	221,386	698,850	258,110	33,290	1,472,624
— Financial investments measured at amortised cost	337,159	393,834	2,446,796	1,678,761	–	4,856,550
Investments in associates and joint ventures	–	–	–	–	29,837	29,837
Property and equipment	–	–	–	–	285,428	285,428
Others	7,716	173	–	–	629,491	637,380
Total assets	11,995,420	10,421,159	3,447,398	2,210,462	1,916,037	29,990,476
Liabilities:						
Due to central banks	822	–	410	–	–	1,232
Financial liabilities designated as at FVTPL	–	14,881	9,865	–	68,059	92,805
Derivative financial liabilities	–	–	–	–	78,553	78,553
Due to banks and other financial institutions (**)	2,066,109	314,517	24,143	46,623	14,954	2,466,346
Certificates of deposit	219,341	110,607	31,920	103	–	361,971
Due to customers	14,674,744	4,328,999	3,102,375	19,418	999,901	23,125,437
Debt securities issued	191,648	49,820	141,228	392,714	–	775,410
Others	9,335	4,474	12,959	2,310	630,749	659,827
Total liabilities	17,161,999	4,823,298	3,322,900	461,168	1,792,216	27,561,581
Interest rate mismatch	(5,166,579)	5,597,861	124,498	1,749,294	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The above table lists the data including the trading book.

(In RMB millions, unless otherwise stated)

	31 December 2018					
	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,041,055	–	–	–	331,521	3,372,576
Due from banks and other financial institutions (*)	1,259,592	313,451	66,142	573	56,740	1,696,498
Derivative financial assets	–	–	–	–	71,335	71,335
Loans and advances to customers	10,876,334	3,723,420	207,848	181,472	57,058	15,046,132
Financial investments						
— Financial investments measured at FVTPL	115,666	109,835	382,531	127,288	70,027	805,347
— Financial investments measured at FVOCI	179,158	245,075	715,623	261,355	28,952	1,430,163
— Financial investments measured at amortised cost	239,828	421,975	2,402,746	1,454,633	–	4,519,182
Investments in associates and joint ventures	–	–	–	–	29,124	29,124
Property and equipment	–	–	–	–	290,404	290,404
Others	8,584	192	–	–	430,003	438,779
Total assets	15,720,217	4,813,948	3,774,890	2,025,321	1,365,164	27,699,540
Liabilities:						
Due to central banks	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	–	4,443	9,323	–	73,634	87,400
Derivative financial liabilities	–	–	–	–	73,573	73,573
Due to banks and other financial institutions (**)	1,943,520	306,350	20,996	44,133	14,297	2,329,296
Certificates of deposit	207,061	132,971	873	449	–	341,354
Due to customers	13,519,006	4,709,018	2,577,977	11,468	591,465	21,408,934
Debt securities issued	176,592	52,694	105,509	283,047	–	617,842
Others	7,935	354	1,452	1,467	484,569	495,777
Total liabilities	15,854,114	5,205,901	2,716,540	340,564	1,237,538	25,354,657
Interest rate mismatch	(133,897)	(391,953)	1,058,350	1,684,757	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The above table lists the data including the trading book.

(e) Capital management

The Group's objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, qualifying other tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is respectively filed with the CBIRC by the Group and the Bank semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations. In April 2014, the former CBRC officially approved the Bank to adopt advanced capital management approaches. Within the scope of the approval, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardised approach to operational risk meeting regulatory requirements.

Domestic commercial banks should meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, corresponding minimum ratios should reach 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

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

(i) Refers to risk-weighted assets after capital floor and adjustments.

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specifically the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using valuation techniques consist of debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers valued by the valuation technology are mainly the bill business and the discounted cash flow model is used. For the bank acceptance bill, based on the different credit risk of the acceptor, the interest rate curve is set up with the actual transaction data in the market as the sample; for the commercial bill, based on the interbank offered rate, the interest rate curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities designated as at fair value through profit or loss

For unquoted other liabilities designated as at FVTPL, the discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.

(In RMB millions, unless otherwise stated)

(a) Financial instruments measured at fair value

The following tables show an analysis of financial instruments measured at fair value by level of the fair value hierarchy:

	30 June 2019			
	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial assets				
Exchange rate contracts	–	29,553	107	29,660
Interest rate contracts	–	16,147	621	16,768
Commodity derivatives and others	3,327	11,222	621	15,170
	3,327	56,922	1,349	61,598
Reverse repurchase agreements measured at FVTPL	–	151,036	–	151,036
Loans and advances to customers measured at FVTPL	–	730	1,137	1,867
Loans and advances to customers measured at FVOCI	9,601	315,164	–	324,765
Financial investments measured at FVTPL				
Debt securities	6,762	292,671	40,291	339,724
Equity investments	10,455	2,781	25,222	38,458
Funds and other investments	21,897	150,807	339,037	511,741
	39,114	446,259	404,550	889,923
Financial investments measured at FVOCI				
Debt securities	314,003	1,124,689	335	1,439,027
Equity investments	808	9,325	23,157	33,290
Other investments	–	–	307	307
	314,811	1,134,014	23,799	1,472,624
	366,853	2,104,125	430,835	2,901,813
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	1,028,849	–	1,028,849
Financial liabilities designated as at FVTPL				
Wealth management products	–	21,726	–	21,726
Financial liabilities related to precious metals	–	59,857	–	59,857
Other debt securities issued	–	2,825	–	2,825
Others	77	7,255	1,065	8,397
	77	91,663	1,065	92,805
Derivative financial liabilities				
Exchange rate contracts	2	26,644	76	26,722
Interest rate contracts	–	18,116	589	18,705
Commodity derivatives and others	2,925	29,271	930	33,126
	2,927	74,031	1,595	78,553
	3,004	1,194,543	2,660	1,200,207

(In RMB millions, unless otherwise stated)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial asset				
Exchange rate contracts	590	41,264	288	42,142
Interest rate contracts	511	15,623	88	16,222
Commodity derivatives and others	3,918	8,469	584	12,971
	5,019	65,356	960	71,335
Reverse repurchase agreements measured at FVTPL	–	174,794	–	174,794
Loans and advances to customers measured at FVTPL	–	924	444	1,368
Loans and advances to customers measured at FVOCI	11,023	349,460	–	360,483
Financial investments measured at FVTPL				
Debt securities	3,802	205,220	34,727	243,749
Equity investments	7,475	408	20,107	27,990
Funds and other investments	19,423	362,672	151,513	533,608
	30,700	568,300	206,347	805,347
Financial investments measured at FVOCI				
Debt securities	280,572	1,119,222	143	1,399,937
Equity investments	703	9,727	19,489	29,919
Other investments	–	–	307	307
	281,275	1,128,949	19,939	1,430,163
	328,017	2,287,783	227,690	2,843,490
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	851,647	–	851,647
Financial liabilities designated as at FVTPL				
Wealth management products	–	11,480	–	11,480
Financial liabilities related to precious metals	–	67,266	–	67,266
Other debt securities issued	–	2,285	–	2,285
Others	130	4,867	1,372	6,369
	130	85,898	1,372	87,400
Derivative financial liabilities				
Exchange rate contracts	235	41,713	245	42,193
Interest rate contracts	86	15,705	730	16,521
Commodity derivatives and others	3,665	9,995	1,199	14,859
	3,986	67,413	2,174	73,573
	4,116	1,004,958	3,546	1,012,620

(In RMB millions, unless otherwise stated)

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and financial liabilities which are measured at fair value and the movement during the reporting period:

	1 January 2019	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of level 3	30 June 2019
Financial assets:								
Derivative financial assets								
Exchange rate contracts	288	(132)	–	3	(5)	(36)	(11)	107
Interest rate contracts	88	723	–	–	(36)	(93)	(61)	621
Commodity derivatives and others	584	173	–	1	–	(98)	(39)	621
Loans and advances to customers measured at FVTPL	444	15	–	678	–	–	–	1,137
Financial investments measured at FVTPL								
Debt securities	34,727	1,210	–	4,691	(22)	(314)	(1)	40,291
Equity investments	20,107	357	–	5,154	(124)	–	(272)	25,222
Funds and other investments	151,513	4,781	–	234,009	(39,507)	(11,685)	(74)	339,037
Financial investments measured at FVOCI								
Debt securities	143	(1)	1	335	(46)	(97)	–	335
Equity investments	19,489	–	(837)	4,505	–	–	–	23,157
Other investments	307	–	–	–	–	–	–	307
	227,690	7,126	(836)	249,376	(39,740)	(12,323)	(458)	430,835
Financial liabilities:								
Financial liabilities designated as at FVTPL	(1,372)	(56)	–	(4)	–	89	278	(1,065)
Derivative financial liabilities								
Exchange rate contracts	(245)	125	–	(3)	5	33	9	(76)
Interest rate contracts	(730)	71	–	(2)	37	34	1	(589)
Commodity derivatives and others	(1,199)	(74)	–	(73)	–	65	351	(930)
	(3,546)	66	–	(82)	42	221	639	(2,660)

(In RMB millions, unless otherwise stated)

	1 January 2018	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals	Settlements	Transfer out of level 3	31 December 2018
Financial assets:								
Derivative financial assets								
Exchange rate contracts	329	(5)	–	63	(2)	(47)	(50)	288
Interest rate contracts	238	111	–	34	(77)	(176)	(42)	88
Commodity derivatives and others	533	(149)	–	226	(26)	–	–	584
Loans and advances to customers measured at FVTPL	410	44	–	–	–	(10)	–	444
Financial investments measured at FVTPL								
Debt securities	7,834	67	–	31,422	(551)	(470)	(3,575)	34,727
Equity investments	5,522	297	–	14,445	(157)	–	–	20,107
Funds and other investments	170,240	(320)	–	92,119	(98,512)	(8,759)	(3,255)	151,513
Financial investments measured at FVOCI								
Debt securities	1,853	–	–	143	–	(882)	(971)	143
Equity investments	2,627	–	649	16,232	(19)	–	–	19,489
Other investments	–	–	(32)	339	–	–	–	307
	189,586	45	617	155,023	(99,344)	(10,344)	(7,893)	227,690
Financial liabilities:								
Financial liabilities designated as at FVTPL	(1,349)	(135)	–	(193)	–	299	6	(1,372)
Derivative financial liabilities								
Exchange rate contracts	(271)	15	–	(60)	2	20	49	(245)
Interest rate contracts	(728)	(302)	–	(51)	77	191	83	(730)
Commodity derivatives and others	(663)	387	–	(1,032)	1	–	108	(1,199)
	(3,011)	(35)	–	(1,336)	80	510	246	(3,546)

(In RMB millions, unless otherwise stated)

Net gains or losses on level 3 financial instruments included in the statement of profit or loss for the period comprise:

	Six months ended 30 June 2019		
	Realised	Unrealised	Total
Net gains	1,482	5,710	7,192

	Six months ended 30 June 2018		
	Realised	Unrealised	Total
Net gains	5,392	45	5,437

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at the end of the reporting period.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at the end of the reporting period.

During the reporting period, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(ii) Transfers between level 2 and level 3

As at the end of the reporting period, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the reporting period, certain derivatives financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2019, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(In RMB millions, unless otherwise stated)

(e) Fair value of financial assets and financial liabilities not carried at fair value

No significant difference between the carrying amount and the fair value of the financial assets and financial liabilities not measured at fair value, except for the following items:

	30 June 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	4,856,550	4,890,197	83,351	4,586,848	219,998
	4,856,550	4,890,197	83,351	4,586,848	219,998
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	398,774	404,193	–	404,193	–
	398,774	404,193	–	404,193	–

	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	4,519,182	4,560,733	67,225	4,280,407	213,101
	4,519,182	4,560,733	67,225	4,280,407	213,101
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	282,459	285,834	–	285,834	–
	282,459	285,834	–	285,834	–

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and financial liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these financial assets and financial liabilities:

(i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of subordinated bonds and tier 2 capital notes are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

46. AFTER THE REPORTING PERIOD EVENT

Issuance of Undated Additional Tier 1 Capital Bonds

In July 2019, the Bank publicly issued the undated additional tier 1 capital bonds of RMB80.0 billion in China's national inter-bank bond market. The funds raised will be used to replenish the Bank's additional tier 1 capital in accordance with the applicable laws and approvals by the regulatory authorities.

Issues Concerning the New External Investment by a Subsidiary

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

47. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

48. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL REPORT

The interim financial report was approved and authorised for issue by the board of directors on 29 August 2019.

(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the six months ended 30 June 2019 (for the six months ended 30 June 2018: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 30 June 2019 (31 December 2018: no differences).

(b) Foreign currency concentrations

	As at 30 June 2019			
	USD	HKD	Others	Total
Spot assets	2,234,550	475,878	837,966	3,548,394
Spot liabilities	(2,328,957)	(469,820)	(544,597)	(3,343,374)
Forward purchases	3,202,193	295,295	959,118	4,456,606
Forward sales	(3,212,411)	(167,473)	(1,223,745)	(4,603,629)
Net option position	(21,585)	695	(421)	(21,311)
Net (short)/long position	(126,210)	134,575	28,321	36,686
Net structural position	117,507	409	28,628	146,544

	As at 31 December 2018			
	USD	HKD	Others	Total
Spot assets	2,136,818	418,669	691,979	3,247,466
Spot liabilities	(2,133,678)	(368,795)	(550,857)	(3,053,330)
Forward purchases	3,357,899	182,036	756,539	4,296,474
Forward sales	(3,472,904)	(103,944)	(866,993)	(4,443,841)
Net option position	(11,568)	1,705	(417)	(10,280)
Net (short)/long position	(123,433)	129,671	30,251	36,489
Net structural position	106,152	(269)	27,898	133,781

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

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

(In RMB millions, unless otherwise stated)

(c) International claims

International claims refers to the sum of cross-border claims in all currencies and local claims in foreign currencies, including loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	As at 30 June 2019				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	750,719	244,377	1,109,903	116,230	2,221,229
— of which attributed to Hong Kong	57,225	17,601	265,256	57,043	397,125
North and South America	66,181	140,941	123,122	6,999	337,243
	816,900	385,318	1,233,025	123,229	2,558,472

	As at 31 December 2018				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	762,391	205,372	954,651	111,393	2,033,807
— of which attributed to Hong Kong	76,766	15,483	251,239	54,698	398,186
North and South America	51,155	111,012	136,851	7,350	306,368
	813,546	316,384	1,091,502	118,743	2,340,175

(d) Loans and advances to customers (excludes accrued interest)

(i) Analysis by location of the counterparties

	30 June 2019	31 December 2018
Mainland China	15,086,268	14,411,937
Asia Pacific (excluding Mainland China)	731,524	629,955
— of which attributed to Hong Kong	436,096	428,442
North and South America	162,178	149,910
Europe	178,555	152,352
Africa	112,699	75,751
	16,271,224	15,419,905

(In RMB millions, unless otherwise stated)

(ii) Overdue loans and advances to customers

	30 June 2019	31 December 2018
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	36,883	35,323
Between 6 and 12 months	43,744	48,523
Over 12 months	103,620	94,933
	184,247	178,779
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.23%	0.23%
Between 6 and 12 months	0.27%	0.31%
Over 12 months	0.63%	0.62%
	1.13%	1.16%

The definition of overdue loans and advances to customers is set out as follows:

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

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(iii) Overdue loans and advances to customers by geographical distribution

	30 June 2019	31 December 2018
Head Office	38,373	35,846
Bohai Rim	60,056	57,177
Western China	40,538	39,165
Central China	36,640	39,223
Pearl River Delta	28,389	33,137
Yangtze River Delta	23,097	24,994
Northeastern China	32,006	26,474
Overseas and others	14,143	13,916
	273,242	269,932

(iv) Rescheduled loans and advances to customers

	30 June 2019		31 December 2018	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	8,022	0.05%	7,211	0.05%
Less: Rescheduled loans and advances overdue for more than three months	(1,151)	(0.01%)	(1,143)	(0.01%)
Rescheduled loans and advances overdue for less than three months	6,871	0.04%	6,068	0.04%

(In RMB millions, unless otherwise stated)

(e) Overdue placements with banks and other financial institutions

	30 June 2019	31 December 2018
The Group's gross placements with banks and other financial institutions which have been overdue with respect to either principal or interest for a period of:		
Over 12 months	16	16
As a percentage of total gross placements with banks and other financial institutions:		
Over 12 months	0.00%	0.00%

(f) Exposures to Mainland China non-bank entities

	30 June 2019	31 December 2018
On-balance sheet exposure	20,237,827	18,946,049
Off-balance sheet exposure	2,809,955	2,902,524
	23,047,782	21,848,573
Allowance for impairment losses on lifetime ECL credit-impaired financial assets	161,981	172,719

In addition to those disclosed above, exposures to other non-bank counterparties outside Mainland China to which credit is granted for use in Mainland China are considered insignificant to the Group.

(g) Correspondence between balance sheet in published financial statements and capital composition

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

(i) Capital composition

Item		30 June 2019	31 December 2018	Reference
Core tier 1 capital:				
1	Paid-in capital	356,407	356,407	X18
2	Retained earnings	1,824,745	1,746,540	
2a	Surplus reserve	262,152	261,636	X21
2b	General reserve	279,223	278,980	X22
2c	Retained profits	1,283,370	1,205,924	X23
3	Accumulated other comprehensive income (and other public reserves)	145,124	140,322	
3a	Capital reserve	151,969	151,968	X19
3b	Others	(6,845)	(11,646)	X24
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	–	
5	Valid portion of minority interests	3,875	3,752	X25
6	**Core tier 1 capital before regulatory adjustments**	**2,330,151**	**2,247,021**	

(In RMB millions, unless otherwise stated)

Item		30 June 2019	31 December 2018	Reference
Core tier 1 capital: Regulatory adjustments				
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of deferred tax liabilities)	8,876	8,820	X16
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	2,229	1,927	X14-X15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11	Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,396)	(3,739)	X20
12	Shortfall of provision for loan impairment	–	–	
13	Gain on sale related to asset securitisation	–	–	
14	Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	
16	Direct or indirect investments in own ordinary shares	–	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	–	
18	Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c	Others that should be deducted from core tier 1 capital	–	–	
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28	**Total regulatory adjustments to core tier 1 capital**	**14,689**	**14,988**	
29	**Core tier 1 capital**	**2,315,462**	**2,232,033**	

(In RMB millions, unless otherwise stated)

Item		30 June 2019	31 December 2018	Reference
Additional tier 1 capital:				
30	Additional tier 1 capital instruments and related premium	79,375	79,375	
31	Including: Portion classified as equity	79,375	79,375	X28
32	Including: Portion classified as liabilities	–	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	733	735	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	**Additional tier 1 capital before regulatory adjustments**	**80,108**	**80,110**	
Additional tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own additional tier 1 instruments	–	–	
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–	–	
39	Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41c	Others that should be deducted from additional tier 1 capital	–	–	
42	Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43	**Total regulatory adjustments to additional tier 1 capital**	**–**	**–**	
44	**Additional tier 1 capital**	**80,108**	**80,110**	
45	**Tier 1 capital (core tier 1 capital + additional tier 1 capital)**	**2,395,570**	**2,312,143**	
Tier 2 capital:				
46	Tier 2 capital instruments and related premium	292,478	202,761	X17
47	Invalid instruments to tier 2 capital after the transition period	60,855	81,140	
48	Valid portion of minority interests	1,801	1,991	X27
49	Including: Invalid portion to tier 2 capital after the transition period	620	856	
50	Valid portion of surplus provision for loan impairment	171,683	127,990	X02+X04
51	**Tier 2 capital before regulatory adjustments**	**465,962**	**332,742**	
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in own tier 2 instruments	–	–	
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–	–	

(In RMB millions, unless otherwise stated)

Item		30 June 2019	31 December 2018	Reference
54	Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	X31
56a	Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
56c	Others that should be deducted from tier 2 capital	–	–	
57	**Total regulatory adjustments to tier 2 capital**	**–**	**–**	
58	**Tier 2 capital**	**465,962**	**332,742**	
59	**Total capital (tier 1 capital + tier 2 capital)**	**2,861,532**	**2,644,885**	
60	**Total risk-weighted assets**	**18,167,672**	**17,190,992**	
Requirements for capital adequacy ratio and reserve capital				
61	Core tier 1 capital adequacy ratio	12.74%	12.98%	
62	Tier 1 capital adequacy ratio	13.19%	13.45%	
63	Capital adequacy ratio	15.75%	15.39%	
64	Institution specific buffer requirement	4.0%	4.0%	
65	Including: Capital conservation buffer requirement	2.5%	2.5%	
66	Including: Countercyclical buffer requirement	–	–	
67	Including: G-SIB buffer requirement	1.5%	1.5%	
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.74%	7.98%	
Domestic minima for regulatory capital				
69	Core tier 1 capital adequacy ratio	5.0%	5.0%	
70	Tier 1 capital adequacy ratio	6.0%	6.0%	
71	Capital adequacy ratio	8.0%	8.0%	
Amounts below the thresholds for deduction				
72	Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	72,656	64,004	X05+X07+X08+X09+X12+X29+X30
73	Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	35,877	32,215	X06+X10+X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	57,180	57,073	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	20,315	19,049	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	9,004	7,766	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	440,521	393,682	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	162,679	120,224	X04

(In RMB millions, unless otherwise stated)

Item		30 June 2019	31 December 2018	Reference
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	60,855	81,140	
85	Excluded from tier 2 capital for the current period due to cap	87,390	67,102	

(ii) Consolidated financial statements

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

(In RMB millions, unless otherwise stated)

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

* Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

(iii) Description of related items

Item	30 June 2019 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	15,853,198	
Total loans and advances to customers	16,314,034	
Less: Provision for loan impairment under the weighted approach	20,315	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	9,004	X02
Less: Provision for loan impairment under the internal ratings-based approach	440,521	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	162,679	X04
Financial investments		
Financial investments measured at FVTPL	850,608	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	55	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	4,001	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	2,927	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	61,482	X08
Financial investments measured at FVOCI	1,451,080	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	6,063	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,312	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29
Financial investments measured at amortised cost	4,808,364	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	2,108	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	37,817	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	21	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,564	X13

(In RMB millions, unless otherwise stated)

Item	30 June 2019 Balance sheet under regulatory scope of consolidation	Reference
Other assets	319,577	
Interest receivable	2,222	
Intangible assets	19,223	X14
Including: Land use rights	16,994	X15
Other receivables	176,672	
Goodwill	8,876	X16
Long-term deferred expenses	3,109	
Repossessed assets	9,265	
Others	100,210	
Debt securities issued	775,410	
Including: Valid portion of tier 2 capital instruments and their premium	292,478	X17
Share capital	356,407	X18
Other equity instruments	86,051	
Including: Preference shares	79,375	X28
Capital reserve	151,969	X19
Other comprehensive income	(6,845)	X24
Reserve for changes in fair value of financial assets	20,574	
Reserve for cash flow hedging	(4,436)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,396)	X20
Changes in share of other owners' equity of associates and joint ventures	(1,286)	
Foreign currency translation reserve	(21,427)	
Others	(270)	
Surplus reserve	262,152	X21
General reserve	279,223	X22
Retained profits	1,283,370	X23
Minority interests	9,452	
Including: Valid portion to core tier 1 capital	3,875	X25
Including: Valid portion to additional tier 1 capital	733	X26
Including: Valid portion to tier 2 capital	1,801	X27

(iv) Main features of eligible capital instruments

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

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4603	4604	84602	360011
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment						
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB 339,126	RMB 169,202	RMB equivalent 17,928	RMB equivalent 4,542	RMB 11,958	RMB 44,947
Par value of instrument (in millions)	RMB 269,612	RMB 86,795	USD 2,940	EUR 600	RMB 12,000	RMB 45,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	10 December 2014	10 December 2014	18 November 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 10 December 2019, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares

(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Offshore)	Preference shares (Domestic)
Coupons/dividends						
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2019	6% (dividend rate) before 10 December 2021	6% (dividend rate) before 10 December 2019	4.5% (dividend rate) before 18 November 2020
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	Yes	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	The Bank	The Bank

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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1428009	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company /Group	Parent company /Group	Parent company /Group	Parent company /Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB19,999	RMB equivalent 13,623	RMB44,000	RMB44,000
Par value of instrument (in millions)	RMB20,000	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	4 August 2014	21 September 2015	6 November 2017	20 November 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	5 August 2024	21 September 2025	8 November 2027	22 November 2027
Issuer call (subject to prior supervisory approval)	Yes	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	5 August 2019, in full amount	N/A	8 November 2022, in full amount	22 November 2022, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	5.80%	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Non-viability of the Bank	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1928006	1928007	1928011	1928012
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Par value of instrument (in millions)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 March 2019	21 March 2019	24 April 2019	24 April 2019
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	25 March 2029	25 March 2034	26 April 2029	26 April 2034
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	25 March 2024, in full amount	25 March 2029, in full amount	26 April 2024, in full amount	26 April 2029, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.26%	4.51%	4.40%	4.69%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Full write-down	Full write-down	Full write-down	Full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down

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

(In RMB millions, unless otherwise stated)

(h) Disclosure of Leverage Ratio

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

Comparison of Regulatory Leverage Ratio Items and Accounting Items

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

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

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

(In RMB millions, unless otherwise stated)

(i) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

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

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

(In RMB millions, unless otherwise stated)

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

		30 June 2019				
		Unweighted value by residual maturity				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	2,589,178	–	–	293,502	2,882,680
2	Regulatory capital	2,589,178	–	–	292,478	2,881,656
3	Other capital instruments	–	–	–	1,024	1,024
4	Retail deposits and deposits from small business customers:	5,744,680	5,379,986	42,676	7,156	10,061,736
5	Stable deposits	31,528	33,555	14,362	5,050	80,523
6	Less stable deposits	5,713,152	5,346,431	28,314	2,106	9,981,213
7	Wholesale funding:	7,797,701	5,816,354	312,620	295,475	6,859,365
8	Operational deposits	7,554,372	234,835	24,051	4,158	3,910,787
9	Other wholesale funding	243,329	5,581,519	288,569	291,317	2,948,578
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	592	897,918	30,839	584,362	524,839
12	NSFR derivative liabilities				75,535	
13	All other liabilities and equities not included in the above categories	592	897,918	30,839	508,827	524,839
14	Total ASF					20,328,620
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					681,211
16	Deposits held at other financial institutions for operational purposes	135,164	–	7,219	1,170	72,362
17	Loans and securities:	3,759	3,566,088	2,319,965	13,121,591	13,554,680
18	Loans to financial institutions secured by Level 1 HQLA	–	411,017	–	–	61,234
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,077,562	269,854	200,093	497,325
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,835,825	1,942,706	7,419,504	8,144,425
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	306,543	316,165	236,266	462,090
22	Residential mortgages, of which:	–	1,407	2,665	4,889,697	4,153,815
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	638	643	26,226	18,467
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,759	240,277	104,740	612,297	697,881
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	375,471	447,344	11,238	560,844	1,302,732
27	Physical traded commodities, including gold	36,379				30,922
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				6,592	5,603
29	NSFR derivative assets				64,901	–
30	NSFR derivative liabilities with additional variation margin posted				84,678*	16,936
31	All other assets not included in the above categories	339,092	447,344	11,238	489,351	1,249,271
32	Off-balance sheet items				5,680,655	226,281
33	Total RSF					15,837,266
34	Net Stable Funding Ratio (%)					128.36%

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

(In RMB millions, unless otherwise stated)

		31 March 2019				
		Unweighted value by residual maturity				
No.	**Item**	**No maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	**Weighted value**
Available stable funding (ASF) item						
1	Capital:	2,570,202	–	–	241,537	2,811,739
2	Regulatory capital	2,570,202	–	–	237,176	2,807,378
3	Other capital instruments	–	–	–	4,361	4,361
4	Retail deposits and deposits from small business customers:	5,735,628	5,319,418	30,430	8,649	9,989,118
5	Stable deposits	28,848	30,741	11,218	6,261	73,528
6	Less stable deposits	5,706,780	5,288,677	19,212	2,388	9,915,590
7	Wholesale funding:	7,326,368	5,722,282	274,039	270,903	6,470,630
8	Operational deposits	7,050,720	240,111	22,350	6,305	3,662,896
9	Other wholesale funding	275,648	5,482,171	251,689	264,598	2,807,734
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	193	859,523	51,662	574,239	524,317
12	NSFR derivative liabilities				75,947	
13	All other liabilities and equities not included in the above categories	193	859,523	51,662	498,292	524,317
14	Total ASF					19,795,804
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					636,243
16	Deposits held at other financial institutions for operational purposes	113,978	–	18,137	–	66,057
17	Loans and securities:	5,072	3,527,368	2,289,896	12,861,786	13,283,535
18	Loans to financial institutions secured by Level 1 HQLA	–	439,175	–	–	65,299
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,086,558	249,814	168,891	456,799
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,804,978	1,919,537	7,315,366	8,031,978
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	288,201	324,049	230,447	454,347
22	Residential mortgages, of which:	–	1,441	2,749	4,734,198	4,021,461
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	657	669	27,332	19,191
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5,072	195,216	117,796	643,331	707,998
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	366,034	441,035	11,984	667,338	1,356,264
27	Physical traded commodities, including gold	33,867				28,787
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				6,576	5,590
29	NSFR derivative assets				80,015	4,068
30	NSFR derivative liabilities with additional variation margin posted				81,546*	16,309
31	All other assets not included in the above categories	332,167	441,035	11,984	580,747	1,301,510
32	Off-balance sheet items				5,626,760	232,357
33	Total RSF					15,574,456
34	Net Stable Funding Ratio (%)					127.10%

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

(In RMB millions, unless otherwise stated)

		31 December 2018				
		Unweighted value by residual maturity				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	2,460,309	–	–	207,563	2,667,872
2	Regulatory capital	2,460,309	–	–	202,761	2,663,070
3	Other capital instruments	–	–	–	4,802	4,802
4	Retail deposits and deposits from small business customers:	5,402,695	4,939,764	23,324	8,214	9,340,804
5	Stable deposits	28,773	30,958	7,989	5,549	69,882
6	Less stable deposits	5,373,922	4,908,806	15,335	2,665	9,270,922
7	Wholesale funding:	6,771,430	5,781,778	282,914	281,016	6,195,760
8	Operational deposits	6,530,611	256,548	18,303	6,114	3,408,845
9	Other wholesale funding	240,819	5,525,230	264,611	274,902	2,786,915
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	1,135	838,158	93,739	467,916	443,059
12	NSFR derivative liabilities				72,861	
13	All other liabilities and equities not included in the above categories	1,135	838,158	93,739	395,055	443,059
14	Total ASF					18,647,495
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					614,736
16	Deposits held at other financial institutions for operational purposes	163,302	–	23,516	–	93,414
17	Loans and securities:	5,482	3,573,860	1,952,169	12,346,796	12,751,165
18	Loans to financial institutions secured by Level 1 HQLA	–	163,807	35	852	24,942
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,212,782	208,536	166,396	452,809
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,072,474	1,652,787	6,970,700	7,736,945
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	321,040	288,861	222,741	447,158
22	Residential mortgages, of which:	–	1,428	2,759	4,572,735	3,884,809
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	709	717	29,395	21,587
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5,482	123,369	88,052	636,113	651,660
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	360,125	312,684	14,260	494,160	1,068,032
27	Physical traded commodities, including gold	43,014				36,561
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				5,793	4,924
29	NSFR derivative assets				75,131	2,270
30	NSFR derivative liabilities with additional variation margin posted				79,823*	15,965
31	All other assets not included in the above categories	317,111	312,684	14,260	413,236	1,008,312
32	Off-balance sheet items				5,836,015	199,293
33	Total RSF					14,726,640
34	Net Stable Funding Ratio (%)					126.62%

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

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-62869178/62868101
Fax: 0551-62868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888/82378000
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087819/88087000
Fax: 0591-83353905/83347074

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 200 Zhonghua North Road, Yunyan District, Guiyang City, Guizhou Province, China
Postcode: 550001
Tel: 0851-88620004/88620018
Fax: 0851-85963911

HAINAN PROVINCIAL BRANCH
Address: No. 54 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65303138/65342829
Fax: 0898-65303138

HEBEI PROVINCIAL BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66001999/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH
Address: No. 99 Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888/65776808
Fax: 0371-65776889/65776988

HEILONGJIANG PROVINCIAL BRANCH
Address: No. 218 Zhongyang Street, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84668023/84668577
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH
Address: No. 31 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430071
Tel: 027-69908676/69908658
Fax: 027-69908040

HUNAN PROVINCIAL BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-84428833/84420000
Fax: 0731-84430039

JILIN PROVINCIAL BRANCH
Address: No. 9559 Renmin Avenue, Changchun City, Jilin Province, China
Postcode: 130022
Tel: 0431-89569718/89569007
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China
Postcode: 330008
Tel: 0791-86695682/86695018
Fax: 0791-86695230

LIAONING PROVINCIAL BRANCH
Address: No. 88 Nanjing North Street, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
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Fax: 0951-5042348

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Fax: 0991-2828608

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Fax: 0891-6898001

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Fax: 010-66583158

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Fax: 010-81011513

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Fax: 023-85297709

Zhejiang Pinghu ICBC Rural Bank Co., Ltd.
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SWIFT: UBHKHKHH

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