



**中国建设银行**  
China Construction Bank

# Half-Year Report 2019

**China Construction Bank Corporation**

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

Stock Code: 939 (Ordinary H-share)

4606 (Offshore Preference Share)

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We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, liquidity risk, market risk, operational risk, reputational risk and country risk. We proactively took measures to effectively manage these risks. For more information, please refer to "Risk Management" in the "Management Discussion & Analysis".

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

# Definitions

In this half-year report, unless the context otherwise requires, the following terms shall have the meanings set out below.

|                                  |   |
|----------------------------------|---|
| “AI”                             | Artificial intelligence   |
| “The Bank”                       | China Construction Bank Corporation   |
| “Baowu Steel Group”              | China Baowu Steel Group Corporation Limited   |
| “Basis point”                    | A unit that measures the changes of interest and exchange rates, 1% of one percentage point   |
| “The Board”                      | Board of directors  |
| “CBIRC”                          | China Banking and Insurance Regulatory Commission   |
| “CBRC”                           | Former China Banking Regulatory Commission  |
| “CCB Asia”                       | China Construction Bank (Asia) Corporation Limited  |
| “CCB Brasil”                     | China Construction Bank (Brasil) Banco Múltiplo S/A   |
| “CCB Europe”                     | China Construction Bank (Europe) S.A.   |
| “CCB Financial Leasing”          | CCB Financial Leasing Co., Ltd.   |
| “CCB Futures”                    | CCB Futures Co., Ltd.   |
| “CCB Indonesia”                  | PT Bank China Construction Bank Indonesia Tbk   |
| “CCB International”              | CCB International (Holdings) Limited  |
| “CCB Investment”                 | CCB Financial Asset Investment Co., Ltd.  |
| “CCB Life”                       | CCB Life Insurance Company Limited  |
| “CCB London”                     | China Construction Bank (London) Limited  |
| “CCB Malaysia”                   | China Construction Bank (Malaysia) Berhad   |
| “CCB New Zealand”                | China Construction Bank (New Zealand) Limited   |
| “CCB Pension”                    | CCB Pension Management Co., Ltd.  |
| “CCB Principal Asset Management” | CCB Principal Asset Management Co., Ltd.  |
| “CCB Property & Casualty”        | CCB Property & Casualty Insurance Co., Ltd.   |
| “CCB Russia”                     | China Construction Bank (Russia) Limited  |
| “CCB Trust”                      | CCB Trust Co., Ltd.   |
| “CCB Wealth Management”          | CCB Wealth Management Co., Ltd.   |
| “Cloud Pet”                      | A gamified crowdsourcing application of information collection deployed in the Bank’s mobile banking, which organises a simple information collection operation as a gamified challenge and offers the users the opportunity to take the challenge anywhere and anytime they like and get rewards for their participation |
| “Cloud-Based Customer Service”   | An umbrella term for enterprise-level remote financial customer services that the Bank provides to customers on a “comprehensive, cost-efficient, AI-assisted, multilingual and around-the-clock” basis through multiple channels and media, including phones, networks, mobile devices                                   |
| “CSRC”                           | China Securities Regulatory Commission  |

|   |   |
|---|---|
| “The Group”, “CCB”                          | China Construction Bank Corporation and its subsidiaries  |
| “Hong Kong Stock Exchange”                  | The Stock Exchange of Hong Kong Limited   |
| “Huidongni”                                 | A one-stop service platform built by the Bank for small and micro enterprises by using internet, big data and biometric technologies  |
| “Huidouquan”                                | An innovative card acquiring product of the Bank that combines “all-type payment acceptance” with “scenario creations”  |
| “Huijin”                                    | Central Huijin Investment Ltd.  |
| “Huishibao”                                 | A high-end comprehensive settlement service platform of the Bank designed to meet the treasury management needs of niche markets and core enterprises in the supply chains  |
| “IFRS”                                      | International Financial Reporting Standards   |
| “Listing Rules of Hong Kong Stock Exchange” | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| “Long Fortune”                              | A Fintech-based wealth management service platform of the Bank designed to deliver asset structuring, AI-assisted investment advisory, retail loans, liquidity management and AI-assisted insurance advisory services             |
| “Long Pay”                                  | A customer-centric and mobile web-based enterprise-level digital payment brand of the Bank, and also an umbrella term that refers to a group of all-inclusive and integrated payment and settlement product and service offerings |
| “M&A”                                       | Merger and acquisition  |
| “Mega Asset Manager”                        | An asset management service platform of the Bank that offers end-to-end coverage, serves all the market segments and all customer types, and incorporates all scenarios   |
| “MOF”                                       | Ministry of Finance of the People’s Republic of China   |
| “New financial instruments standard”        | <i>International Financial Reporting Standard No. 9 – Financial Instruments</i> issued by International Accounting Standards Board in July 2014   |
| “PBC”                                       | The People’s Bank of China  |
| “PRC GAAP”                                  | <i>Accounting Standards for Business Enterprises</i> and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards  |
| “RMB”                                       | Renminbi  |
| “SFO”                                       | Securities and Futures Ordinance  |
| “Sino-German Bausparkasse”                  | Sino-German Bausparkasse Co., Ltd.  |
| “SME”                                       | Small and micro enterprise  |
| “State Grid”                                | State Grid Corporation of China   |
| “WMP”                                       | Wealth management product   |
| “Yangtze Power”                             | China Yangtze Power Co., Limited  |
| “Yunongtong”                                | A Fintech-based, county-level comprehensive service platform, as part of the Bank’s inclusive finance strategy, designed to address issues such as lack of financial service in underprivileged county-level rural areas          |

# Important Notice

The Board and the board of supervisors of the Bank and its directors, supervisors and senior management warrant that the information contained in this half-year report is truthful, accurate and complete and there are no false presentations or misleading statements contained in, or material omissions from, this report, and that they assume severally and jointly legal liability.

The Half-Year Report 2019, its summary and results announcement have been reviewed and approved at the Board meeting of the Bank held on 28 August 2019. A total of 12 directors of the Bank attended the meeting in person. Due to work arrangement, Mr. Zhu Hailin appointed Ms. Feng Bing as his proxy to attend and vote on his behalf; due to business engagement, Ms. Anita Fung Yuen Mei appointed Mr. Murray Horn as her proxy to attend and vote on her behalf.

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

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

Board of Directors of China Construction Bank Corporation  
28 August 2019

Mr. Tian Guoli, legal representative of the Bank, Mr. Xu Yiming, chief financial officer, and Mr. Fang Qiuyue, general manager of finance & accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this half-year report.

# 1 Financial Highlights

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

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

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

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

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



## 2 Corporate Information

|   |  |
|---|--|
| Legal name and abbreviation in Chinese  | 中國建設銀行股份有限公司(abbreviated as “中國建設銀行”)  |
| Legal name and abbreviation in English  | CHINA CONSTRUCTION BANK CORPORATION (abbreviated as “CCB”)   |
| Legal representative  | Tian Guoli   |
| Authorised representative   | Liu Guiping<br>Ma Chan Chi   |
| Secretary to the Board  | Hu Changmiao   |
| Contact address   | No. 25, Financial Street, Xicheng District, Beijing  |
| Company secretary   | Ma Chan Chi  |
| Principal place of business in Hong Kong  | 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong  |
| Registered address, office address and postcode   | No. 25, Financial Street, Xicheng District, Beijing 100033   |
| Website   | <a href="http://www.ccb.com">www.ccb.com</a>   |
| Hotline for customer service and complaints   | 95533  |
| Contact information for investors   | Contact telephone: 86-10-66215533<br>Facsimile: 86-10-66218888<br>Email address: <a href="mailto:ir@ccb.com">ir@ccb.com</a>  |
| Newspapers for information disclosure   | China Securities Journal and Shanghai Securities News  |
| Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP                     | <a href="http://www.sse.com.cn">www.sse.com.cn</a>   |
| “HKEXnews” website of Hong Kong Exchanges and Clearing Limited for publishing the half-year report prepared in accordance with IFRS | <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>   |
| Place where copies of this half-year report are kept  | Board of Directors Office of the Bank  |
| Listing venues, stock abbreviations and stock codes   | A-share: Shanghai Stock Exchange<br>Stock abbreviation: 建設銀行<br>Stock code: 601939<br><br>H-share: The Stock Exchange of Hong Kong Limited<br>Stock abbreviation: CCB<br>Stock code: 939<br><br>Offshore preference share: The Stock Exchange of Hong Kong Limited<br>Stock abbreviation: CCB 15USD PREF<br>Stock code: 4606<br><br>Domestic preference share: Shanghai Stock Exchange<br>Stock abbreviation: 建行優1<br>Stock code: 360030 |

|                                    |   |
|------------------------------------|---|
| Auditors                           | Ernst & Young Hua Ming LLP<br>Address: 16/F, Ernst & Young Tower, Oriental Plaza,<br>No.1 East Changan Avenue, Dongcheng District, Beijing<br>Signing accountants: Wang Pengcheng, Tian Zhiyong and Feng Suoteng<br>Ernst & Young<br>Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong |
| Legal advisor as to PRC laws       | Haiwen & Partners<br>Address: 20/F, Fortune Financial Centre, 5 Dongsanhuan Central Road,<br>Chaoyang District, Beijing   |
| Legal advisor as to Hong Kong laws | Clifford Chance<br>Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong  |
| A-share registrar                  | China Securities Depository and Clearing Corporation Limited,<br>Shanghai Branch<br>Address: 3/F, China Insurance Building, 166 East Lujiazui Road,<br>Pudong New District, Shanghai  |
| H-share registrar                  | Computershare Hong Kong Investor Services Limited<br>Address: Rooms 1712-1716, 17/F, Hopewell Centre,<br>183 Queen's Road East, Wanchai, Hong Kong  |

## 3 Management Discussion & Analysis

### 3.1 Financial Review

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

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

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

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

#### 3.1.1 Statement of Comprehensive Income Analysis

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

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

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

### Net interest income

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

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

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

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

### 3 Management Discussion & Analysis

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

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

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

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

### Interest income

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

#### *Interest income from loans and advances to customers*

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

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

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

#### *Interest income from financial investments*

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

#### *Interest income from deposits with central banks*

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

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

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

#### *Interest income from financial assets held under resale agreements*

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

### Interest expense

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

#### *Interest expense on deposits from customers*

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

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

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

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

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

#### *Interest expense on debt securities issued*

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

#### *Interest expense on borrowings from central banks*

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

#### *Interest expense on financial assets sold under repurchase agreements*

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

**Net non-interest income**

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

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

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

**Net fee and commission income**

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

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



### 3 Management Discussion & Analysis

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

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

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

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

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

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

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

Consultancy and advisory fees were RMB6,584 million, flat with the same period last year.

#### Other net non-interest income

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

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

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

*Operating expenses*

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

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

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

*Impairment losses*

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

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

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

*Income tax expense*

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

## 3.1.2 Statement of Financial Position Analysis

**Assets**

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

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

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

At the end of June, the Group's total assets reached RMB24.38 trillion, an increase of RMB1,160,458 million or 5.00% over the end of last year. It proactively supported the development of the real economy, and loans and advances to customers increased by RMB721,866 million or 5.40% compared to the end of 2018. Financial investments increased by RMB336,142 million or 5.88% over the end of last year, mainly due to further investments in local government bonds. Due to the PBC's cuts in statutory deposit reserve ratio, cash and deposits with central banks decreased by RMB166,696 million or 6.33% from the end of last year. To support the growth of core assets such as loans and debt securities, the Bank properly controlled its deposits with banks and non-bank financial institutions, which decreased by RMB23,176 million or 2.77% from the end of last year. As a result, in the total assets, the proportion of net loans and advances to customers increased by 0.22 percentage points to 57.77%, that of financial investments increased by 0.21 percentage points to 24.82%, that of cash and deposits with central banks decreased by 1.23 percentage points to 10.11%, and that of deposits and placements with banks and non-bank financial institutions decreased by 0.26 percentage points to 3.34%.

### Loans and advances to customers

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

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

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

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

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

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

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

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

### 3 Management Discussion & Analysis

#### *Distribution of loans by type of collateral*

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

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

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

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

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

Please refer to Note “Loans and Advances to Customers – Movements of Allowances for Impairment Losses” in the financial statements for details of allowances for impairment losses on loans.

### Financial investments

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

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

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

For further details on the financial instruments measured at fair value, please refer to the Note to financial statements "Risk Management – Fair Value of Financial Instruments".

### Debt securities investments

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

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

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

### 3 Management Discussion & Analysis

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

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

#### Financial debt securities

At the end of June, the Group held financial debt securities issued by financial institutions totalling RMB1,193,833 million. In this amount, RMB811,074 million was issued by policy banks and RMB382,759 million was issued by banks and non-bank financial institutions, accounting for 67.94% and 32.06% respectively. Adhering to its prudent and reasonable principle, the Group made provisions for impairment losses on financial debt securities with no significant increase of credit risk in accordance with the new financial instruments standard.

The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

| (In millions of RMB, except percentages) | Par value | Annual interest rate (%) | Maturity date | Allowances for impairment losses |
|--|-----------|--------------------------|---------------|----------------------------------|
| Policy bank bond issued in 2019          | 17,370    | 3.75                     | 2029-01-25    | 8                                |
| Policy bank bond issued in 2019          | 14,340    | 3.48                     | 2029-01-08    | 1                                |
| Policy bank bond issued in 2018          | 12,850    | 4.00                     | 2025-11-12    | 6                                |
| Policy bank bond issued in 2018          | 12,110    | 3.76                     | 2023-08-14    | 1                                |
| Policy bank bond issued in 2014          | 11,560    | 5.79                     | 2021-01-14    | 1                                |
| Policy bank bond issued in 2014          | 11,540    | 5.67                     | 2024-04-08    | 1                                |
| Policy bank bond issued in 2018          | 11,150    | 4.15                     | 2025-10-26    | 1                                |
| Policy bank bond issued in 2014          | 10,630    | 5.61                     | 2021-04-08    | 1                                |
| Policy bank bond issued in 2018          | 10,620    | 4.89                     | 2028-03-26    | 5                                |
| Policy bank bond issued in 2018          | 10,610    | 4.65                     | 2028-05-11    | 5                                |

1. Financial debt securities refer to negotiable debt securities in market issued by financial institutions including policy banks and by bank and non-bank financial institutions.

#### Interest receivable

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

#### Reposessed assets

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

### Liabilities

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

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

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

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

### Deposits from customers

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

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



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

#### Debt securities issued

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

#### Shareholder's equity

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

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

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

### *Off-balance sheet items*

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metal and commodity contracts. Please refer to Note "Derivatives and Hedge Accounting" in the financial statements for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities mainly include credit commitments, capital commitments, redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of June, credit commitments were RMB2,953,665 million, an increase of RMB104,941 million or 3.68% over the end of 2018. Please refer to Note "Commitments and Contingent Liabilities" in the financial statements for details on commitments and contingent liabilities.

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

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

### **3.1.4 Changes in Accounting Policies**

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

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

### 3.2 Business Review

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

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

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

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

#### 3.2.1 Promotion of Three Major Strategies

##### *House rental strategy*

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

##### *Inclusive finance strategy*

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

### *Fintech strategy*

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

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

## 3.2.2 Corporate Banking

### *Corporate deposits*

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

### *Corporate loans*

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

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

### *Institutional business*

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

### *International business*

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

### *Custody service*

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

### *Settlement and cash management business*

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

## 3.2.3 Personal Banking

### *Personal finance*

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

### *Personal deposits*

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

### *Personal loans*

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

### *Debit card business*

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

### *Credit card business*

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

### *Private banking*

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

### *Entrusted housing finance business*

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

### 3.2.4 Treasury Business

#### *Financial market business*

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

#### **Money market business**

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

#### **Debt securities investments**

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

#### **Customer-based trading business**

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

#### **Precious metals and commodities**

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

#### *Asset management*

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

***Investment banking business***

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

***Financial institutional business***

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

**3.2.5 Overseas Commercial Banking Business**

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

***CCB Asia***

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

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

***CCB London***

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

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



#### ***CCB Russia***

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

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

#### ***CCB Europe***

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

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

#### ***CCB New Zealand***

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

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

#### ***CCB Brasil***

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

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

#### ***CCB Malaysia***

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

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

### *CCB Indonesia*

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

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

### **3.2.6 Integrated Operation Subsidiaries**

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

#### *CCB Principal Asset Management*

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

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

#### *CCB Financial Leasing*

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

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

#### *CCB Trust*

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

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

#### ***CCB Life***

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

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

#### ***Sino-German Bausparkasse***

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

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

#### ***CCB Futures***

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

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

#### ***CCB Pension***

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

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

### ***CCB Property & Casualty***

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

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

### ***CCB Investment***

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

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

### ***CCB Wealth Management***

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

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

### ***CCB International***

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

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

### 3.2.7 Analysed by Geographical Segment

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

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

The following table sets forth the distribution of the Group's assets by geographical segment.

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

1. Total assets exclude elimination and deferred tax assets.

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

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

The following table sets forth the distribution of the Group's deposits by geographical segment.

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

### 3.2.8 Building of Branch Network and Channels

The Group provides its customers with convenient and high-quality banking services through its extensive branches and sub-branches, self-service facilities, specialised service entities as well as electronic banking service platforms. At the end of June 2019, the Bank had a total of 14,941 operating entities, consisting of 14,908 domestic entities including the Head Office, 37 tier-one branches, 352 tier-two branches, 14,126 sub-branches, 391 outlets under the sub-branches and a specialised credit card centre at the head office, and 33 overseas institutions. The Bank had 19 major subsidiaries with a total of 547 entities, including 365 domestic ones and 182 overseas ones. For addresses of domestic and overseas tier-one branches and subsidiaries, please refer to the 2018 annual report of the Bank.

#### *Physical channels*

The Bank continued to expand its service coverage and enhance its capabilities to serve the real economy with ongoing improvement of its outlet layout. In response to the national inclusive financial strategy, the Bank set up more new outlets in county regions, established 30 new inclusive outlets and expanded its reach into four new county regions with no prior outlet presence in the first half of 2019. As part of its efforts to create a network of flagship outlets to serve as hubs for driving the development of surrounding areas, the Bank had built a cumulative total of 220 flagship outlets to provide comprehensive services. The Bank also continued to streamline its self-service network, including 89,358 ATMs and 27,778 self-service banks, among which 27,574 ATMs were located in county regions; and 49,872 smart teller machines, which expanded services to social insurance, provident housing funds, traffic fines, tax and other governmental services. By the end of June, the Bank had cumulatively established 320 private banking centres with 1,924 staff members, set up 288 small business operating centres, and built over 1,500 personal loan centres.

The Bank continuously promoted AI-assisted channel transformation. By using 5G and other new technologies, the Bank built new concept outlets of “smart bank with new technologies”, integrating self-service with remote “one-on-one” expert service. The Bank accelerated the digitalisation of outlets by establishing 31 integrated digital banking outlets and eight digital exhibition halls in 21 branches. In its “New Generation” banking system, 262 functions, such as electronic seal and one-click inspection, had been added or optimised to improve business efficiency and customer experience. The Bank leveraged technologies of Internet of Things, AI, and big data, and built three AI-assisted vaults with increased automation.

The Bank accelerated the construction of its intelligent operation system. By promoting the construction of intelligent operational management and control platform and introducing intelligent information collection and robotic process automation technologies, the Bank realised end-to-end digital management and control with its digital “labour force”. The Bank operated more efficiently for issues requiring complex reviews or at its overseas operations, and achieved centralised processing at the Head Office level of 178 types of businesses in counter services, online channels, middle offices, and subsidiaries and overseas operations, an increase of nine business types as compared to the end of last year. The average daily business volume reached 940 thousand, with a peak volume of 1.39 million. The application of the “Cloud-based Production Platform” was expanded to corporate foreign exchange business to improve the foreign currency service of the outlets. The “Cloud Pet” application in mobile banking was extended to WeChat banking, and attracted a cumulative total of 7.68 million users with enhanced production and marketing effect. The Bank implemented targeted poverty alleviation measures through the Cloud Production on a pilot basis in Ankang, Shaanxi Province, helping 400 low-income families increase their income.

The Bank deepened the operation and management of “Workers’ Oasis” and provided thoughtful and convenient services to the public. By the end of June, the Bank had set up 14,349 “Workers’ Oases” and provided restroom facilities in 10,654 of the Oases. The number of registered users of “Workers’ Oasis” APP exceeded 7.5 million. In partnership with trade unions, departments of sanitation, transportation, traffic management and urban construction, medical and other institutions, the Bank organised various themed activities, including “Workers’ Oasis taking workers home for Spring Festival”, “cheer station for students participating in college entrance examinations”, “services at construction sites”, “bringing financial knowledge to rural areas” and “helping the disabled”. The Bank also built 261 special Oases, covering comprehensive government services, daily conveniences, poverty alleviation, IT intelligent services, the CPC culture, education and training, and special group services.

#### *E-channels*

Aiming at building a digital bank with the feature of “available to everyone, open and sharing, full functions, all businesses, diverse scenarios, and easy access”, the Bank steadily improved the contribution of its e-channels to value creation.

#### **Mobile finance**

The Bank further strengthened innovation for its mobile banking, developed online sales, diversified online functions and delivered smarter and smoother experience. It launched the “ETC Intelligent Mobility” service to facilitate ETC user’s application, sign-up, activation and query online. Account information could be automatically recognised once the user scanned the bank card, simplifying the transfer processes for customers. The Bank introduced government services, such as social security and provident housing fund services, to provide more convenience. At the end of June, the number of personal mobile banking users rose to 329 million, an increase of 19.90 million or 6.43% over the end of last year. WeChat banking became a key platform for the Bank’s business processing, consulting and marketing. At the end of June, the number of WeChat banking users who followed the Bank’s WeChat account increased by 5.08 million or 5.71% to 94.09 million over the end of last year. The number of users who linked their bank cards with their WeChat accounts was 70.29 million, an increase of 5.86 million or 9.10% over the end last year. The number of SMS financial service users reached 446 million, an increase of 21 million or 4.94% over the end of last year.

### Online banking

The Bank launched a “sign-in for gifts” module in personal online banking to cultivate customers’ habits for logging onto online banking. It revised its homepage for marketing purposes, adding functions such as mobile phone number links and payments, and personalised transfer limits. For corporate online banking, the Bank launched targeted advertisements, and introduced functions including ETC services, spot foreign exchange transactions and foreign exchange swap transactions. At the end of June, the number of personal online banking users increased by 17.29 million or 5.67% to 322 million over the end of last year. The number of corporate online banking users reached 8.38 million, an increase of 0.82 million or 10.81% over the end of last year.

### Internet website

Visits to the Bank’s internet website increased significantly, attracting a record high number of customers. The website’s average daily page views reached 116 million, an increase of 56.35% year on year. The average daily number of visitors reached 7.32 million, an increase of 42.10% year on year.

### Online payment

“Long E-Pay”, the Bank’s aggregated payment brand, is an innovative card acquiring product that provides one-point access, one-stop fund settlement and reconciliation services, covering scenarios in various sectors, including restaurants, supermarkets, transportation, logistics and health care. At the end of June, the number of merchants that used the Bank’s aggregated payment service was 2.46 million, an increase of 41.24% over the same period last year. In the first half of 2019, the total amount of aggregate payment transactions through the UnionPay group, Alipay and WeChat reached RMB469,123 million, an increase of 871.20% over the same period last year. The total number of transactions stood at 1,778 million, up 835.84% year on year. The amount of online payment (including refund and cash withdrawals) of the Bank reached RMB14.58 trillion, up 17.20% year on year. The number of transactions reached 21,038 million, up 12.23% year on year, leading the industry in term of online payment.

### E.ccb.com

The Bank accelerated the application of Fintech, launching staff travel module for retail mall and deploying “Long centralised purchasing function” for corporate mall. It strengthened merchant management, optimised mobile client functions, and continuously improved customer experience. At the end of June, the number of registered members was 30,755,100.

The Bank took on responsibilities as a large bank, and carried out poverty alleviation innovatively. It enhanced its cooperation with governments at all levels in poverty alleviation and proactively supported targeted poverty alleviation initiatives. By the end of June, E.ccb.com introduced 230 new poverty alleviation merchants, with a total of 4,108 poverty alleviation merchants, covering 872 poverty-stricken counties. In the first half of 2019, the volume of poverty alleviation transactions was RMB5,156 million, an increase of 44.88% year on year.

### Cloud-based customer service

Driven by customer needs and Fintech, the Bank vigorously promoted the construction of remote intelligent bank featuring “intelligent + artificial”, “online + offline” and “service + marketing”, and the multi-channel collaboration of telephone, network and mobile online, to meet the diversified customers’ needs for financial services. During the first half of 2019, the total number of inquiries processed across all channels was 820 million; 92.97% of manual calls were successfully connected to the customer service representatives. The number of inquiries through intelligent channels was 597 million, 99.60% of which were responded by the AI robots. The influence of the WeChat official account “CCB Customer Service” expanded rapidly, having cumulatively served 15.49 million customers.

## 3.2.9 Product Innovation

The Bank optimised the innovation system, improved innovation capability, organised innovation marathon activity, and centrally managed innovation and creativity, thus making positive progress in product innovation. In the first half of 2019, the Bank completed 399 product innovations and the deployment of 262 products, including the deployment of 166 key products. The Bank launched the “Quick Transaction Loan” business to provide efficient and high-quality full-process credit services for small and micro enterprises around the supply chain. It launched the “Over-the-Counter Bond” project to facilitate the construction of a multi-level bond market system and open new channels of steady investment for the public. It launched the robot intelligent scenarios interaction application “Xiao Wei”, which can understand semantics deeply and carry out multiple rounds of dialogues with customers, and its service capability has improved significantly with an average daily service volume of over 3 million. It launched “Bubuying”, the asset allocation product for personal customers, to improve customer loyalty by automatically configuring intelligent combination of demand deposits, time deposits and WMPs.



### 3.2.10 Human Resources

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and staff.

|                     | As at 30 June 2019   |               |                    |               |
|---------------------|----------------------|---------------|--------------------|---------------|
|                     | Number of<br>ranches | % of total    | Number of<br>staff | % of total    |
| Yangtze River Delta | 2,338                | 15.65         | 50,623             | 14.87         |
| Pearl River Delta   | 1,913                | 12.80         | 42,838             | 12.58         |
| Bohai Rim           | 2,483                | 16.62         | 56,645             | 16.64         |
| Central             | 3,582                | 23.98         | 76,811             | 22.57         |
| Western             | 3,039                | 20.34         | 64,704             | 19.01         |
| Northeastern        | 1,550                | 10.37         | 34,516             | 10.14         |
| Head office         | 3                    | 0.02          | 13,270             | 3.90          |
| Overseas            | 33                   | 0.22          | 997                | 0.29          |
| <b>Total</b>        | <b>14,941</b>        | <b>100.00</b> | <b>340,404</b>     | <b>100.00</b> |

At the end of June 2019, the Bank had 340,404 employees (not including 3,821 workers dispatched by labour leasing companies). The number of employees with academic qualifications of bachelor's degree or above was 232,905 or 68.42%, and the number of local employees in overseas entities was 773. In addition, the Bank assumed the expenses of 75,477 retired employees.

#### *Staff training*

Adhering to the philosophy of specialisation, sharing, technology-based and internationalisation, CCB University is not only a professional education platform for its employees, but also an education and training platform dedicated to facilitating the industry-academia integration and fuelling social development. In the first half of 2019, the Bank organised 4,614 on-site training programmes covering 292,000 participants focusing on the Bank's key areas of reform and development and priorities. 178,000 employees took online courses. The click-through rate of online courses hit 1.76 million and that of live stream reached 69,000. As a corporate university fostering new finance and new ecosystem in the new era, CCB University is committed to improving the public welfare leveraging the financial strength and building a modern and pleasant living practicing the concept of open, jointly-developed and shared education.

#### *Staff in subsidiaries*

The subsidiaries of the Bank had 21,667 employees (not including 377 workers dispatched by labour leasing companies). Among them, the domestic and overseas employees numbered 16,337 and 5,330 respectively. In addition, the subsidiaries assumed the expenses of 44 retired employees.

### 3.3 Risk Management

In the first half of 2019, the Group made further efforts to improve its active and comprehensive risk management system. It built a risk control model for its online business, and explored intelligent risk control to boost its digital and refined risk management approach. The Group's asset quality remained solid, while all types of risks were kept stable with enhanced comprehensive risk management capabilities.

#### 3.3.1 Credit Risk Management

Aiming at building a comprehensive and active risk prevention, monitoring and management system and controlling risks more intelligently and rigorously, the Group focused on improving its capabilities of credit customer selection and refined management covering the whole process, and achieved the overall stability of asset quality.

*Promoting credit structural adjustment.* The Group strengthened customer selection and risk prevention and control by region, industry and product. It consistently gave priority to retail banking, and supported inclusive finance, house rentals, and green finance business. The Group also promoted infrastructure projects in areas that need improvements and new construction projects, and the transformation and upgrading of manufacturing industry. The Group leveraged Fintech to promote the sound development of online business, and improved the pre-lending risk identification, loan approval and disbursement in lending process and post-lending management, so as to further improve its centralised credit risk monitoring system.

*Strengthening risk control over credit line.* The Group established consistent risk preference, strengthened control over the credit business of its domestic branches, overseas institutions, direct operation centres and subsidiaries, and promoted the centralised credit approval at tier-one branches, with enhanced efficiency and specialisation of credit approvals. The Group also increased dynamic differentiated adjustments to approval and authorisation to support the development of key businesses and strengthen risk management and control in key areas. With continuous efforts to promote intelligent credit approvals, the Group strengthened data mining and analysis application to intensify support for decision-making in credit approvals.

*Enhancing intelligent risk controls.* The Group worked on the upgrading of its risk measurement model development platform and model risk management platform to promote intelligent upgrading of its measurement models. It developed a smart rating system for corporate customers, and a risk screening system to keep a consistent risk base line for access to inclusive finance and other online businesses. The Group also optimised economic capital measurement and monitoring, and promoted the integration of risk-adjusted return on capital into business processes. In addition, the Group continued to optimise its comprehensive risk monitoring and alert platform by establishing a mobile risk control system, so as to implement unified monitoring and early warning for the total asset businesses and major risk categories, and support managers to take actions on the early warnings on a mobile basis.

*Enhancing asset resolution and operating capabilities.* The Group adhered to value creation and risk management and control, and proactively performed management and disposal of non-performing assets, to enhance the capabilities of disposal and improve the quality and efficiency of disposal.

*Distribution of loans by five-category classification*

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

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

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

*Distribution of loans and NPLs by product type*

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

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

**Distribution of loans and NPLs by industry**

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

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

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

*Rescheduled loans and advances to customers*

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

| (In millions of RMB, except percentages)    | As at 30 June 2019 |                               | As at 31 December 2018 |                               |
|---|--------------------|-------------------------------|------------------------|-------------------------------|
|   | Amount             | % of gross loans and advances | Amount                 | % of gross loans and advances |
| Rescheduled loans and advances to customers | <b>4,846</b>       | <b>0.03</b>                   | 5,818                  | 0.04                          |

At the end of June, the rescheduled loans and advances to customers decreased by RMB972 million to RMB4,846 million from the end of last year, and its proportion in gross loans and advances excluding accrued interest decreased by 0.01 percentage points.

*Overdue loans and advances to customers*

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

| (In millions of RMB, except percentages)             | As at 30 June 2019 |                               | As at 31 December 2018 |                               |
|--|--------------------|-------------------------------|------------------------|-------------------------------|
|  | Amount             | % of gross loans and advances | Amount                 | % of gross loans and advances |
| Overdue within three months                          | <b>67,990</b>      | <b>0.47</b>                   | 55,045                 | 0.40                          |
| Overdue between three and six months                 | <b>34,149</b>      | <b>0.23</b>                   | 27,131                 | 0.20                          |
| Overdue between six months and one year              | <b>46,062</b>      | <b>0.32</b>                   | 38,132                 | 0.28                          |
| Overdue between one and three years                  | <b>49,336</b>      | <b>0.34</b>                   | 45,970                 | 0.33                          |
| Overdue for over three years                         | <b>10,233</b>      | <b>0.07</b>                   | 9,443                  | 0.07                          |
| <b>Total overdue loans and advances to customers</b> | <b>207,770</b>     | <b>1.43</b>                   | 175,721                | 1.28                          |

At the end of June, overdue loans and advances to customers increased by RMB32,049 million to RMB207,770 million over the end of last year, and its proportion in gross loans and advances excluding accrued interest increased by 0.15 percentage points.

*Migration rate of loans*

| (%)                                     | As at<br>30 June 2019 | As at<br>31 December 2018 | As at<br>31 December 2017 |
|---|-----------------------|---------------------------|---------------------------|
| Migration rate of normal loans          | <b>1.01</b>           | 2.26                      | 2.31                      |
| Migration rate of special mention loans | <b>11.08</b>          | 20.19                     | 24.26                     |
| Migration rate of substandard loans     | <b>36.55</b>          | 66.44                     | 71.14                     |
| Migration rate of doubtful loans        | <b>7.29</b>           | 16.39                     | 14.12                     |

1. The migration rate of loans was calculated on a consolidated basis in accordance with the relevant requirements of the CBIRC.

**Concentration of credit risks**

At the end of June, the Group's gross loans to the largest single borrower accounted for 2.84% of the total capital after regulatory adjustment, while those to the top ten customers accounted for 10.93% of the total capital after regulatory adjustment.

**Concentration of loans**

| (%)  | <b>As at<br/>30 June 2019</b> | As at<br>31 December 2018 | As at<br>31 December 2017 |
|--|-------------------------------|---------------------------|---------------------------|
| Proportion of loans to the largest single customer | <b>2.84</b>                   | 2.95                      | 4.27                      |
| Proportion of loans to top ten customers           | <b>10.93</b>                  | 13.05                     | 13.90                     |

The Group's top ten single borrowers and their loans as at the date indicated are as follows.

| (In millions of RMB,<br>except percentages) | Industry   | <b>As at 30 June 2019</b> |                         |
|---|--|---------------------------|-------------------------|
|   |  | <b>Amount</b>             | <b>% of total loans</b> |
| Customer A                                  | Transportation, storage and postal services                  | <b>69,641</b>             | <b>0.48</b>             |
| Customer B                                  | Transportation, storage and postal services                  | <b>34,600</b>             | <b>0.24</b>             |
| Customer C                                  | Transportation, storage and postal services                  | <b>28,020</b>             | <b>0.19</b>             |
| Customer D                                  | Transportation, storage and postal services                  | <b>24,453</b>             | <b>0.17</b>             |
| Customer E                                  | Transportation, storage and postal services                  | <b>21,620</b>             | <b>0.15</b>             |
| Customer F                                  | Transportation, storage and postal services                  | <b>19,809</b>             | <b>0.14</b>             |
| Customer G                                  | Transportation, storage and postal services                  | <b>19,208</b>             | <b>0.13</b>             |
| Customer H                                  | Production and supply of electric power, heat, gas and water | <b>17,840</b>             | <b>0.12</b>             |
| Customer I                                  | Mining   | <b>17,500</b>             | <b>0.12</b>             |
| Customer J                                  | Transportation, storage and postal services                  | <b>14,892</b>             | <b>0.10</b>             |
| <b>Total</b>                                |  | <b>267,583</b>            | <b>1.84</b>             |

**3.3.2 Liquidity Risk Management**

The Group adhered to its prudent approach in liquidity management, strengthened analysis of its liquidity condition based on changes in the internal and external fund flows, optimised the term structure of assets and liabilities, and reasonably arranged the return of funds to effectively prevent and control liquidity risks. It actively cooperated with the PBC to transmit monetary policies, and used Fintech to further enhance its refined management. The liquidity indicators remained robust, ensuring the soundness of its payment and settlement.

**Stress testing of liquidity risk**

The Group continued to improve its liquidity risk stress testing methods, and conducted quarterly stress testing within the Group, in order to gauge its risk capacity in extreme scenarios with low probability and other adverse scenarios. The results of stress testing showed that under different stress scenarios, the Group's liquidity risk was under control.

**Indicators and brief analysis of liquidity risk management**

The Group adopted liquidity indicator analysis, remaining maturity analysis and undiscounted contractual cash flow analysis to measure its liquidity risk.

The following table sets forth the RMB and foreign currency liquidity ratios and RMB loan-to-deposit ratio of the Group as at the dates indicated.

| (%)                                |                  | <b>Regulatory standard</b> | <b>As at 30 June 2019</b> | As at 31 December 2018 | As at 31 December 2017 |
|------------------------------------|------------------|----------------------------|---------------------------|------------------------|------------------------|
| Liquidity ratio <sup>1</sup>       | RMB              | ≥25                        | <b>46.36</b>              | 47.69                  | 43.53                  |
|                                    | Foreign currency | ≥25                        | <b>56.70</b>              | 84.88                  | 74.52                  |
| Loan-to-deposit ratio <sup>2</sup> | RMB              |                            | <b>74.11</b>              | 73.71                  | 70.73                  |

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBIRC.

2. In accordance with the CBIRC's requirements, loan-to-deposit ratio should be calculated on the basis of domestic legal person.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio is the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. The qualified and high-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group for the second quarter of 2019 was 143.88%, meeting the regulatory requirements. It decreased by 3.24 percentage points from the previous quarter, mainly due to the decrease in mortgage (pledged) lending (including reverse repurchase and borrowed securities).

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

| (In millions of RMB, except percentages)        | <b>Second quarter 2019</b> | First quarter 2019 | Fourth quarter 2018 |
|---|----------------------------|--------------------|---------------------|
| Qualified and high-quality liquid assets        | <b>4,309,848</b>           | 4,317,948          | 4,209,453           |
| Net cash outflows                               | <b>2,996,749</b>           | 2,938,487          | 2,991,869           |
| <b>Liquidity coverage ratio (%)<sup>1</sup></b> | <b>143.88</b>              | 147.12             | 140.78              |

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. All figures represent simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio is the available stable funding divided by required stable funding. The ratio is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. According to the regulatory requirements, definitions and accounting standards applicable for the period, at the end of June 2019, the Group's net stable funding ratio was 128.41%, meeting the regulatory requirements. It was up by 0.30 percentage points and 1.93 percentage points respectively compared to that at the end of March 2019 and end of 2018, mainly due to the increase in the available stable funding in deposits from retail and small enterprise customers.

The following table sets forth the net stable funding ratio of the Group as at the dates indicated.

| (In millions of RMB, except percentages) | <b>As at<br/>30 June 2019</b> | As at<br>31 March 2019 | As at<br>31 December 2018 |
|--|-------------------------------|------------------------|---------------------------|
| Available stable funding                 | <b>16,991,797</b>             | 16,914,591             | 15,994,683                |
| Required stable funding                  | <b>13,232,894</b>             | 13,202,701             | 12,645,878                |
| <b>Net stable funding ratio (%)</b>      | <b>128.41</b>                 | 128.11                 | 126.48                    |

Please refer to "Unreviewed Supplementary Financial Information" for more details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

| (In millions of RMB)               | Indefinite       | Repayable<br>on demand | Within<br>one month | Between<br>one and<br>three months | Between<br>three months<br>and one year | Between<br>one and<br>five years | More than<br>five years | Total            |
|------------------------------------|------------------|------------------------|---------------------|------------------------------------|---|----------------------------------|-------------------------|------------------|
| <b>Net gaps as at 30 June 2019</b> | <b>2,556,958</b> | <b>(11,085,216)</b>    | <b>(52,926)</b>     | <b>(335,961)</b>                   | <b>331,347</b>                          | <b>2,871,866</b>                 | <b>7,785,970</b>        | <b>2,072,038</b> |
| Net gaps as at 31 December 2018    | 2,596,087        | (10,147,155)           | (144,391)           | (585,977)                          | (106,509)                               | 3,181,995                        | 7,197,544               | 1,991,594        |

The Group regularly monitors the gaps between its assets and liabilities in different time brackets in order to assess its liquidity risk for different time periods. At the end of June, the cumulative maturity gap of the Group was RMB2,072,038 million, an increase of RMB80,444 million over the end of 2018. The negative gap for repayment on demand was RMB11,085,216 million, mainly due to the Group's large demand deposits from its expansive customer base; considering the low turnover rate of the Group's demand deposits and steady growth of deposits, the Group expects to have stable sources of funding and maintain a stable liquidity position in the future.

### 3.3.3 Market Risk Management

The Group actively responded to fluctuations in foreign exchange, commodity, bond and stock markets, and further strengthened its market risk management. It conducted in-depth analyses and studies on financial markets, and made quick response to emergencies and major market fluctuations. With enhanced system of monitoring indicators for key risks in investment and trading business, the Group strengthened limit management, and refined and clarified policy guidance and risk-taking boundaries in different business areas. The Group strengthened risk assessment of new products and focused on risk management and control in advance. It strengthened risk management and control over credit bonds, and properly mitigated risks. It strengthened risk management of bonds underwriting and asset management, improved management and control of key business processes, and promoted collaborative prevention and control. Furthermore, the Group accelerated the development of its intelligent risk control platform for the whole process of investment and trading business, raising the standard of efficient and automatic risk control.



**Value at risk analysis**

The Bank divides all of its on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs VaR analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one-day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows.

| (In millions of RMB)                | For the six months ended 30 June 2019 |            |            |            | For the six months ended 30 June 2018 |         |         |         |
|-------------------------------------|---------------------------------------|------------|------------|------------|---------------------------------------|---------|---------|---------|
|                                     | As at 30 June                         | Average    | Maximum    | Minimum    | As at 30 June                         | Average | Maximum | Minimum |
| Risk valuation of trading portfolio | <b>321</b>                            | <b>320</b> | <b>341</b> | <b>288</b> | 158                                   | 120     | 158     | 92      |
| – Interest rate risk                | <b>103</b>                            | <b>99</b>  | <b>117</b> | <b>75</b>  | 44                                    | 43      | 58      | 32      |
| – Foreign exchange risk             | <b>306</b>                            | <b>298</b> | <b>335</b> | <b>251</b> | 151                                   | 113     | 151     | 77      |
| – Commodity risk                    | <b>14</b>                             | <b>14</b>  | <b>31</b>  | <b>–</b>   | –                                     | 11      | 39      | –       |

**Interest rate risk management**

The Group employed multiple methods to measure and analyse the interest rate risk in its banking book, including sensitivity gap analysis, net interest income sensitivity analysis and stress testing. Relevant measures were taken in light of internal and external management requirements. It flexibly leveraged quantitative instruments, price instruments, limit instruments and risk mitigation instruments for assets and liabilities to manage and control the risk level and maintain the overall interest rate risk level within the set boundaries.

In the first half of 2019, the Group paid close attention to changes in the external interest rate environment, and reinforced dynamic risk monitoring and prediction. It improved the efficiency of assets allocation, enhanced the capacity to operate on borrowings and optimised the product portfolio and term structure of assets and liabilities to increase the net interest income and keep the net interest margin at a stable level. Meanwhile, the Group continued to optimise the system of its interest rate risk management and strengthened the interest rate risk management requirements of its overseas branches and subsidiaries. In accordance with the latest regulatory requirements of the Basel Committee and the CBIRC on interest rate risk, the Bank further improved its interest rate risk management system, revised and developed relevant management policies and improved the refinement management from the aspects of interest rate risk measurement, monitoring, control and system building. During the reporting period, the interest rate risk in the banking book of the Group remained stable on the whole, and various limits indicators were kept within their respective target ranges.

**Interest rate sensitivity gap analysis**

The analysis of the next expected repricing dates or maturity dates (whichever are earlier) of the Group's assets and liabilities as at the specified dates is set out below.

| (In millions of RMB)  | Non-interest-bearing | Less than three months | Between three months and one year | Between one year and five years | More than five years | Total            |
|---|----------------------|------------------------|-----------------------------------|---------------------------------|----------------------|------------------|
| <b>Interest rate sensitivity gap as at 30 June 2019</b>             | <b>(150,800)</b>     | <b>(6,727,408)</b>     | <b>7,133,665</b>                  | <b>(190,318)</b>                | <b>2,006,899</b>     | <b>2,072,038</b> |
| <b>Accumulated interest rate sensitivity gap as at 30 June 2019</b> |                      | <b>(6,727,408)</b>     | <b>406,257</b>                    | <b>215,939</b>                  | <b>2,222,838</b>     |                  |
| Interest rate sensitivity gap as at 31 December 2018                | 52,746               | (1,019,800)            | 1,308,199                         | (9,511)                         | 1,659,960            | 1,991,594        |
| Accumulated interest rate sensitivity gap as at 31 December 2018    |                      | (1,019,800)            | 288,399                           | 278,888                         | 1,938,848            |                  |

As at 30 June 2019, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB406,257 million, with an increase of RMB117,858 million over the end of 2018, mainly due to the rapid increase of loans and advances to customers. The positive gap for assets and liabilities with maturities of more than one year was RMB1,816,581 million, an increase of RMB166,132 million over the end of last year, mainly due to the increase in long-term debt securities investments.

### Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes all yield curves to rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes the yield curves to rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC and the demand deposits remain the same.

The interest rate sensitivity of the Group's net interest income as at the specified dates is set out below.

|                           | Change in net interest income  |  |   |   |
|---------------------------|--|--|---|---|
|                           | Rise by 100 basis points (interest rates for deposits at the PBC being constant) | Fall by 100 basis points (interest rates for deposits at the PBC being constant) | Rise by 100 basis points (interest rates for deposits at the PBC and demand deposit rates being constant) | Fall by 100 basis points (interest rates for deposits at the PBC and demand deposit rates being constant) |
| (In millions of RMB)      |  |  |   |   |
| <b>As at 30 June 2019</b> | <b>(59,460)</b>  | <b>59,460</b>  | <b>48,059</b>   | <b>(48,059)</b>   |
| As at 31 December 2018    | (32,453)   | 32,453   | 69,138  | (69,138)  |

### Foreign exchange rate risk management

The Group comprehensively measured and analysed its foreign exchange rate risk by foreign exchange rate risk exposure, foreign exchange rate risk stress testing and other methods, and controlled and mitigated its foreign exchange rate risk mainly by matching its assets and liabilities, limit control, and hedging.

The Group adhered to prudent foreign exchange rate risk management strategy, paid close attention to international economic and financial market changes, domestic macroeconomic indicators, Sino-US trade friction and other factors affecting foreign exchange rate risk, continuously promoted the construction of foreign exchange rate risk management system, and effectively improved the accuracy and automation level of exposure measurement. During the reporting period, RMB appreciated gradually and then depreciated rapidly. The foreign exchange rate at the end of June remained unchanged from the prior year-end, and the foreign exchange rate risk had little impact on the Group as a whole; the Group's overall foreign exchange risk exposure was stable, and the foreign exchange rate risk stress testing results showed that the overall risk was under control, which continued to meet the regulatory requirement of the CBIRC.

### Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below.

|                          | As at 30 June 2019   |                      |                         |               | As at 31 December 2018 |                      |                         |               |
|--------------------------|----------------------|----------------------|-------------------------|---------------|------------------------|----------------------|-------------------------|---------------|
|                          | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | Total         | USD (RMB equivalent)   | HKD (RMB equivalent) | Others (RMB equivalent) | Total         |
| (In millions of RMB)     |                      |                      |                         |               |                        |                      |                         |               |
| Spot assets              | 1,045,934            | 328,517              | 457,203                 | 1,831,654     | 1,053,925              | 336,580              | 402,370                 | 1,792,875     |
| Spot liabilities         | (1,108,266)          | (383,652)            | (347,757)               | (1,839,675)   | (1,029,400)            | (371,917)            | (291,300)               | (1,692,617)   |
| Forward purchases        | 2,551,091            | 263,543              | 303,594                 | 3,118,228     | 2,765,210              | 181,417              | 205,064                 | 3,151,691     |
| Forward sales            | (2,453,057)          | (166,540)            | (388,566)               | (3,008,163)   | (2,760,568)            | (106,381)            | (296,062)               | (3,163,011)   |
| Net options position     | (18,045)             | -                    | -                       | (18,045)      | (13,216)               | 16                   | -                       | (13,200)      |
| <b>Net long position</b> | <b>17,657</b>        | <b>41,868</b>        | <b>24,474</b>           | <b>83,999</b> | <b>15,951</b>          | <b>39,715</b>        | <b>20,072</b>           | <b>75,738</b> |

As at 30 June 2019, the net exposure of the Group's foreign exchange rate risk was RMB83,999 million, an increase of RMB8,261 million over the end of last year, mainly due to the increase of profits in foreign currencies and increased market making activities.

### 3.3.4 Operational Risk Management

The Group continuously promoted application of operational risk management tools and focused on strengthening statistics, analysis, monitoring and reporting of regulatory penalties. It re-examined incompatible positions and revised related policies; made catalogue of important positions for job rotation and mandatory vacation; enhanced staff conduct management, and encouraged its staff members to perform duties faithfully and diligently in order to strengthen its operational risk prevention capabilities. It also revised business continuity management policies and successfully launched the business continuity system.

#### *Anti-money Laundering*

The Group continued to improve its rules and mechanisms for AML, counter-terrorist financing and anti-tax evasion, and developed group-level AML management policies. On the basis of ensuring the completeness of customer identity information, it further improved the accuracy and effectiveness of the information. It successfully completed the supporting transformation of the switch to the PBC's AML data reporting platform, so as to ensure the continuous and accurate reporting of related data. It made solid efforts in financial sanctions compliance and safeguarded the bottom line of sanctions compliance requirements.

### 3.3.5 Reputational Risk Management

The Group continued to improve its reputational risk management system and mechanisms, strengthened its reputational risk management and enhanced its competence in managing reputational risks. Multiple measures were implemented to strengthen the risk awareness of its entities at various levels and define reputational risk management responsibilities. It focused on identifying and issuing early warning for potential reputational risk factors, strengthened daily public opinions monitoring and improved capability in implementing mitigation measures. It proactively accepted media's supervision, improved its products, enhanced internal management and continuously improved its services. It also proactively leveraged the new medias, and used its official account "China Construction Bank" on Weibo, "CCB Today" on WeChat and "China Construction Bank" on Douyin to timely release its official information and promote its corporate image. During the reporting period, the Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation.

### 3.3.6 Country Risk Management

In strict compliance with regulatory requirements, the Group incorporated the country risk management into its comprehensive risk management system and used a range of tools to manage the country risk, including rating evaluation, risk limit verification, stress testing, monitoring and early warning, and emergency responses. In the first half of 2019, the Group began to develop the statistics system for country risk exposures to monitor, analyse and report related exposures on a regular basis and continuously improve the level of country risk management.

### 3.3.7 Consolidated Management

The Bank continuously enhanced consolidated management and reinforced various aspects of the Group's consolidated management, including business collaboration, corporate governance, risk management and capital management. It stressed the major role of the subsidiaries' boards of directors in strategic decision-making, optimised the corporate governance mechanism of its subsidiaries and strengthened the capital management awareness of its subsidiaries. It established annual market risk policy limit and enhanced front-office management and control of comprehensive consolidated credit approval. It carried out self-assessment of the subsidiaries' comprehensive risk management on a quarterly and annual basis to effectively monitor their risk profile and risk management.

### 3.3.8 Internal Audit

In order to promote a sound and effective risk management mechanism, internal control policies and corporate governance procedures, the Bank's internal audit department evaluates the effectiveness of the internal control system and risk management mechanism, the effects of corporate governance procedures, the profitability of business operations, and the economic responsibilities of relevant individuals, and puts forward improvement recommendations.

In the first half of 2019, considering the current economic and financial situations and regulatory requirements, the Bank focused on risk prevention and mitigation in key areas, and conducted various systematic audit projects, including dynamic audit and inspection on credit business, audit and inspection on comprehensive financing risks of large and medium-sized credit customers, dynamic audit and inspection on cross-financial business, audit on the operation and management of major businesses at ten overseas institutions, audit on capital management regulation, audit on financial advisory business, and audit on trade finance business. Meanwhile, the Bank performed in-depth analysis on the underlying causes of identified issues, so as to drive the improvement in management mechanisms, business processes and internal management, and to effectively promote the stable and healthy development of the Bank's operation and management.

### 3.4 Capital Management

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

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

#### 3.4.1 Capital Adequacy Ratios

##### *Scope for calculating capital adequacy ratios*

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

##### *Capital adequacy ratio*

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

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

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

Please refer to Note "Risk Management – Capital Management" in the financial statements for details of composition of capital.

**Risk-weighted assets**

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

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

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

**3.4.2 Leverage Ratio**

From the first quarter of 2015, the Group calculated leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. Leverage ratio is calculated by dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments. Leverage ratio of a commercial bank shall not be below 4%. At the end of 30 June 2019, the Group's leverage ratio was 7.98%, meeting the regulatory requirements.

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

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

For the details of leverage ratio, please refer to "Unreviewed Supplementary Financial Information".

### 3.5 Prospects

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

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

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

# 4 Changes in Share Capital and Particulars of Shareholders

## 4.1 Changes in Ordinary Shares

Unit: share

|   | 1 January 2019         |                | Increase/(Decrease) during the reporting period |             |                                       |          |           | 30 June 2019           |                |
|---|------------------------|----------------|---|-------------|---------------------------------------|----------|-----------|------------------------|----------------|
|   | Number of shares       | Percentage (%) | Issuance of additional shares                   | Bonus issue | Shares converted from capital reserve | Others   | Sub-total | Number of shares       | Percentage (%) |
| <b>Shares subject to selling restrictions</b> | -                      | -              | -   | -           | -                                     | -        | -         | -                      | -              |
| <b>Shares free from selling restrictions</b>  |                        |                |   |             |                                       |          |           |                        |                |
| RMB ordinary shares                           | 9,593,657,606          | 3.84           | -   | -           | -                                     | -        | -         | 9,593,657,606          | 3.84           |
| Foreign investment shares                     |                        |                |   |             |                                       |          |           |                        |                |
| listed overseas                               | 93,350,242,249         | 37.34          | -   | -           | -                                     | -        | -         | 93,350,242,249         | 37.34          |
| Others <sup>1</sup>                           | 147,067,077,631        | 58.82          | -   | -           | -                                     | -        | -         | 147,067,077,631        | 58.82          |
| <b>Total number of shares</b>                 | <b>250,010,977,486</b> | <b>100.00</b>  | <b>-</b>  | <b>-</b>    | <b>-</b>                              | <b>-</b> | <b>-</b>  | <b>250,010,977,486</b> | <b>100.00</b>  |

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid, and Yangtze Power.

## 4.2 Number of Ordinary Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had a total of 352,083 ordinary shareholders, of whom 42,834 were holders of H-shares and 309,249 were holders of A-shares.

Unit: share

| Total number of ordinary shareholders                            |                          | 352,083 (Total number of registered holders of A-shares and H-shares as at 30 June 2019) |   |                             |                                    |  |
|--|--------------------------|--|---|-----------------------------|------------------------------------|--|
| Particulars of shareholding of the top ten ordinary shareholders |                          |  |   |                             |                                    |  |
| Name of shareholder  | Nature of shareholder    | Shareholding percentage (%)  | Changes in shareholding during the reporting period | Total number of shares held | Number of shares pledged or frozen |  |
| Huijin <sup>1</sup>  | State                    | 57.03  | -   | 142,590,494,651 (H-shares)  | None                               |  |
|  |                          | 0.08   | -   | 195,941,976 (A-shares)      | None                               |  |
| HKSCC Nominees Limited <sup>1,2</sup>                            | Foreign legal person     | 36.79  | -5,411,669  | 91,966,676,199 (H-shares)   | Unknown                            |  |
| China Securities Finance Corporation Limited                     | State-owned legal person | 0.88   | -   | 2,189,259,768 (A-shares)    | None                               |  |
| Baowu Steel Group <sup>2</sup>                                   | State-owned legal person | 0.80   | -   | 1,999,556,250 (H-shares)    | None                               |  |
| State Grid <sup>2,3</sup>  | State-owned legal person | 0.64   | -   | 1,611,413,730 (H-shares)    | None                               |  |
| Yangtze Power <sup>2</sup>                                       | State-owned legal person | 0.35   | -   | 865,613,000 (H-shares)      | None                               |  |
| Reca Investment Limited  | Foreign legal person     | 0.34   | -   | 856,000,000 (H-shares)      | None                               |  |
| Hong Kong Securities Clearing Company Limited <sup>1</sup>       | Foreign legal person     | 0.20   | +22,869,264   | 511,701,670 (A-shares)      | None                               |  |
| Central Huijin Asset Management Ltd. <sup>1</sup>                | State-owned legal person | 0.20   | -   | 496,639,800 (A-shares)      | None                               |  |
| National Social Security Fund Portfolio 106                      | State                    | 0.06   | +40,274,800   | 143,009,048 (A-shares)      | None                               |  |

1. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.

2. As at 30 June 2019, State Grid and Yangtze Power held 1,611,413,730 H-shares and 865,613,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited; Baowu Steel Group held 1,999,556,250 H-shares of the Bank, in which 599,556,250 H-shares were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid and Yangtze Power, as well as 599,556,250 H-shares held by Baowu Steel Group, 91,966,676,199 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which also included the H-shares held by Temasek Holdings (Private) Limited.

3. As at 30 June 2019, the holding of H-shares of the Bank by State Grid through its wholly-owned subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 54,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 230,000,000 shares and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.

4. None of the shares held by the aforesaid shareholders were subject to selling restrictions.

### 4.3 Changes in Controlling Shareholders and Actual Controlling Parties

During the reporting period, there was no change in controlling shareholders or actual controlling parties.

### 4.4 Material Interests and Short Positions

On 30 June 2019, the interests and short positions of substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO of Hong Kong were as follows.

| Name                | Type of shares | Number of shares | Nature        | % of A-shares or H-shares issued | % of total ordinary shares issued |
|---------------------|----------------|------------------|---------------|----------------------------------|-----------------------------------|
| Huijin <sup>1</sup> | A-share        | 692,581,776      | Long position | 7.22                             | 0.28                              |
| Huijin <sup>2</sup> | H-share        | 133,262,144,534  | Long position | 59.31                            | 57.03                             |

- On 29 December 2015, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 692,581,776 A-shares of the Bank, accounting for 7.22% of the A-shares issued (9,593,657,606 shares) and 0.28% of the ordinary shares issued (250,010,977,486 shares), in which 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by its wholly-owned subsidiary Central Huijin Asset Management Ltd. As at 30 June 2019, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, and Central Huijin Asset Management Ltd., the wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
- On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued (224,689,084,000 shares) and 57.03% of the ordinary shares issued (233,689,084,000 shares) at that time. As at 30 June 2019, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of the ordinary shares issued (250,010,977,486 shares) respectively.

### 4.5 Details of Preference Shares

#### 4.5.1 Details of Issuance and Listing of Preference Shares

In December 2015, the Bank made a non-public issuance of offshore preference shares, which were listed on the Hong Kong Stock Exchange, with net proceeds of RMB19,659 million. In December 2017, the Bank made a non-public issuance of domestic preference shares, which were listed on Shanghai Stock Exchange Integrated Services Platform for transfer, with net proceeds of RMB59,977 million. All of the net proceeds were used to replenish additional tier 1 capital of the Bank.

| Stock code of preference shares | Abbreviation of preference shares | Issuance date | Issuance price | Dividend rate (%) | Number of shares issued (shares) | Listing date | Number of shares approved to trade (shares) |
|---------------------------------|-----------------------------------|---------------|----------------|-------------------|----------------------------------|--------------|---|
| 4606                            | CCB 15USD_PREF                    | 2015/12/16    | US\$20/share   | 4.65              | 152,500,000                      | 2015/12/17   | 152,500,000                                 |
| 360030                          | 建行優1                              | 2017/12/21    | RMB100/share   | 4.75              | 600,000,000                      | 2018/01/15   | 600,000,000                                 |



## 4 Changes in Share Capital and Particulars of Shareholders

### 4.5.2 Number of Preference Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had 19 preference shareholders (or proxies), including one offshore preference shareholder (or proxy) and 18 domestic preference shareholders.

Particulars of shareholding of offshore preference shareholder (or proxy) of the Bank are as follows.

Unit: share

| Name of preference shareholder                     | Nature of shareholder | Shareholding percentage (%) | Changes during the reporting period | Total number of shares held | Number of shares pledged or frozen |
|--|-----------------------|-----------------------------|-------------------------------------|-----------------------------|------------------------------------|
| The Bank of New York Depository (Nominees) Limited | Foreign legal person  | 100.00                      | –                                   | 152,500,000                 | Unknown                            |

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
2. As the issuance was an offshore non-public offering, the shareholding information of The Bank of New York Depository (Nominees) Limited as proxy of the preference shareholders in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. at the end of the reporting period is presented in the register of preference shareholders.
3. The Bank is not aware of any connected relation or concerted action between the aforesaid preference shareholder and the top ten ordinary shareholders.
4. "Shareholding percentage" refers to the percentage of offshore preference shares held by the preference shareholder in the total number of offshore preference shares.

Particulars of shareholding of the top ten (including ties) domestic preference shareholders are as follows.

Unit: share

| Name of preference shareholder                       | Nature of shareholder    | Shareholding percentage (%) | Changes during the reporting period | Total number of shares held | Number of shares pledged or frozen |
|--|--------------------------|-----------------------------|-------------------------------------|-----------------------------|------------------------------------|
| Bosera Asset Management Co., Limited                 | Others                   | 26.83                       | –                                   | 161,000,000                 | None                               |
| Manulife Teda Fund Management Co., Ltd.              | Others                   | 15.00                       | –                                   | 90,000,000                  | None                               |
| China Mobile Communications Group Co., Ltd.          | State-owned legal person | 8.33                        | –                                   | 50,000,000                  | None                               |
| China Life Insurance Company Limited                 | Others                   | 8.33                        | –                                   | 50,000,000                  | None                               |
| Truvalue Asset Management Co., Limited               | Others                   | 6.67                        | –                                   | 40,000,000                  | None                               |
| China CITIC Bank Corporation Limited                 | Others                   | 5.00                        | –                                   | 30,000,000                  | None                               |
| GF Securities Asset Management (Guangdong) Co., Ltd. | Others                   | 4.50                        | –                                   | 27,000,000                  | None                               |
| Postal Savings Bank of China Co., Ltd.               | Others                   | 4.50                        | –                                   | 27,000,000                  | None                               |
| PICC Asset Management Company Limited                | Others                   | 3.33                        | –                                   | 20,000,000                  | None                               |
| AXA SPDB Investment Managers Co., Ltd.               | Others                   | 3.33                        | –                                   | 20,000,000                  | None                               |
| E Fund Management Co., Ltd.                          | Others                   | 3.33                        | –                                   | 20,000,000                  | None                               |

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
2. The Bank is not aware of any connected relation or concerted action between the aforesaid preference shareholders and the top ten ordinary shareholders.
3. "Shareholding percentage" refers to the percentage of domestic preference shares held by the preference shareholder in the total number of domestic preference shares.

### 4.5.3 Profit Distribution of Preference Shares

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

### 4.5.4 Redemption or Conversion of Preference Shares

During the reporting period, the Bank did not make any redemption or conversion of its preference shares.

### 4.5.5 Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights for the Bank's preference shares.

### 4.5.6 Accounting Policies Adopted for Preference Shares and Causes Thereof

In accordance with the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments promulgated by the MOF*, as well as *International Financial Reporting Standard No. 9 – Financial Instruments* and *International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements of equity instruments in their terms and conditions, and are treated as equity instruments.

# 5 Profiles of Directors, Supervisors and Senior Management

## 5.1 Particulars of Directors, Supervisors and Senior Management

### Directors of the Bank

Members of the Bank's Board include executive directors: Mr. Tian Guoli, Mr. Liu Guiping and Mr. Zhang Gengsheng; non-executive directors: Ms. Feng Bing, Mr. Zhu Hailin, Mr. Wu Min, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang; and independent non-executive directors: Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter and Mr. Kenneth Patrick Chung.

### Supervisors of the Bank

Members of the Bank's board of supervisors include shareholder representative supervisors: Mr. Wu Jianhang and Mr. Fang Qiuyue; employee representative supervisors: Mr. Lu Kegui, Mr. Cheng Yuanguo and Mr. Wang Yi; and external supervisor: Mr. Zhao Xijun.

### Senior Management of the Bank

Senior management of the Bank includes Mr. Liu Guiping, Mr. Zhang Gengsheng, Mr. Huang Yi, Mr. Liao Lin, Mr. Ji Zhihong, Mr. Xu Yiming, Mr. Jin Yanmin and Mr. Hu Changmiao.

## 5.2 Changes in Directors, Supervisors and Senior Management

Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Tian Bo and Mr. Xia Yang commenced their positions as non-executive directors of the Bank from August 2019. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as vice chairman of the Board and executive director of the Bank from July 2019. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as president of the Bank from May 2019. Upon approval at the 2018 annual general meeting of the Bank, Mr. Graeme Wheeler was elected as independent non-executive director of the Bank, subject to approval of the CBIRC. Upon approval of the Board meeting of the Bank on 20 June 2019, Mr. Michel Madelain was nominated as independent non-executive director of the Bank, subject to the approval of the shareholders' general meeting of the Bank. Mr. Murry Horn ceased to serve as independent non-executive director of the Bank from September 2019 due to change of job. Mr. Chung Shui Ming Timpson ceased to serve as independent non-executive director of the Bank from June 2019 due to expiration of his term of office. Mr. Li Jun ceased to serve as non-executive director of the Bank from May 2019 due to retirement. By reason of his age, Mr. Wang Zuji ceased to serve as vice chairman of the Board, executive director and president of the Bank from March 2019.

Upon approval of the meeting of the Board of Supervisors of the Bank on 28 August 2019, Mr. Wang Yongqing was nominated as shareholder representative supervisor of the Bank, subject to the approval of the shareholders' general meeting of the Bank. In accordance with the resolution at the 2018 annual general meeting of the Bank, Mr. Zhao Xijun commenced his position as external supervisor of the Bank from June 2019. Mr. Bai Jianjun ceased to serve as external supervisor of the Bank from June 2019 due to expiration of his term of office.

Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Ji Zhihong commenced his position as executive vice president of the Bank from August 2019. Upon appointment of the Board of the Bank and approval of the CBIRC, from May 2019, Mr. Jin Yanmin commenced his position as chief risk officer of the Bank, and Mr. Hu Changmiao commenced his position as secretary to the Board of the Bank. Due to change of job, from August 2019, Mr. Zhang Lilin ceased to serve as executive vice president of the Bank. Due to work arrangements, from May 2019, Mr. Liao Lin ceased to serve as chief risk officer of the Bank, and Mr. Huang Zhiling ceased to serve as secretary to the Board of the Bank.

## 5.3 Changes in Personal Information of Directors, Supervisors and Senior Management

Mr. Tian Bo, non-executive director of the Bank, ceased to serve as deputy general manager of global transaction banking department of Bank of China Limited from September 2019.

Ms. Anita Fung Yuen Mei, independent non-executive director of the Bank, ceased to serve in her position in Airport Authority Hong Kong from May 2019.

Mr. Jin Yanmin, chief risk officer of the Bank, commenced his position as supervisor of CCB Financial Leasing since December 2015 and commenced his position as non-executive director of CCB Investment since November 2017.

## 5.4 Shares of the Bank Held by Directors, Supervisors and Senior Management

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior management of the Bank. Some of the directors, supervisors and senior management of the Bank indirectly held H-shares of the Bank via the employee stock incentive plan before they assumed their current positions. Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Wu Jianhang held 20,966 H-shares, Mr. Fang Qiuyue held 21,927 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Liao Lin held 14,456 H-shares, Mr. Xu Yiming held 17,925 H-shares, Mr. Jin Yanmin held 15,739 H-shares and Mr. Hu Changmiao held 17,709 H-shares. Mr. Huang Zhiling, the resigned secretary to the Board, held 18,751 H-shares. Apart from the above, none of the other directors, supervisors or senior management of the Bank held any shares of the Bank.

## 5.5 Directors' and Supervisors' Securities Transactions

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

## 6 Major Issues

### Corporate Governance

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

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

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

### Shareholders' General Meeting Convened

On 21 June 2019, the Bank held the 2018 annual general meeting in Beijing and Hong Kong at the same time, which reviewed and approved proposals including the 2018 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2019 fixed assets investment budget, 2017 remuneration distribution and settlement plan for directors and supervisors, election of directors and supervisor, the appointment of external auditors for 2019, the issuance of write-down undated capital bonds and the issuance of write-down eligible tier-2 capital instruments.

The executive director Mr. Tian Guoli, the non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Wu Min and Mr. Zhang Qi, and the independent non-executive directors, namely Mr. Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung and Mr. Murray Horn attended the meeting. The external auditors, the legal advisor as to PRC laws and the legal advisor as to Hong Kong laws of the Bank attended the meeting. The convening of shareholders' general meeting followed legal procedures in compliance with relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 21 June 2019, and on the Bank's designated newspapers for information disclosure on 22 June 2019.

### Formulation and Implementation of Cash Dividend Policy

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

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

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

## Performance of Undertakings

In September 2004, Huijin made a commitment of “non-competition within the industry”, i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws or listing rules in China or other listing places, Huijin would not engage or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, and providing settlement, fund custody, bank card and currency exchange services. However, Huijin may still engage or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin has committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank and beneficial to other commercial banks; (2) exercise its shareholder’s rights in the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of the CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

By 30 June 2019, Huijin had not breached any of the above undertakings.

## Auditors

In accordance with the requirement of the MOF with respect to the maximum number of years of service of an auditor for a financial enterprise, as approved by the fifth meeting of the Board in 2018 and the 2018 annual general meeting, the Bank appointed Ernst & Young Hua Ming LLP as the domestic accounting firm of the Bank and its domestic subsidiaries for 2019, and Ernst & Young as the international accounting firm of the Bank and its offshore subsidiaries for 2019.

## Material Litigations and Arbitrations

During the reporting period, the Bank was not subject to any material litigation or arbitration.

## Purchase, Sale and Redemption of Shares

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

## Penalties

During the reporting period, neither the Bank, nor any of its directors, supervisors, senior management, or controlling shareholder was subject to investigations by relevant authorities, coercive measures taken by judicial or disciplinary inspection departments, transfer to judicial authorities or prosecution for criminal liabilities, investigation or administrative penalty, restricted access to market, identification as unqualified by the CSRC, material administrative punishments by environmental, work safety, taxation or other administrative authorities, or public reprimand by stock exchanges.

## Integrity

During the reporting period, the Bank and its controlling shareholder had no unfulfilled court judgement or significant unpaid overdue debts.

## Progress of Implementation of Employee Stock Incentive Plan

After the implementation of its first employee stock incentive plan in July 2007, the Bank did not implement any new round of stock incentive plan.

## Related Party Transactions

During the reporting period, the Bank had no material related party transaction. For the details of related party transactions, please refer to Note “Related Party Relationships and Transactions” in the financial statements.

## Material Contracts and Their Performance

On 24 May 2019, the PBC and the CBIRC jointly announced that the CBIRC decided to take over Baoshang Bank Co., Ltd. and the takeover would last one year. The takeover team entrusted the Bank to take the business of Baoshang Bank Co., Ltd. into custody. The Bank carried out the work in accordance with the custody agreement under the guidance of the takeover team. This matter had no material influence on the Bank’s operational management and profitability. Please refer to the announcement published by the Bank on 24 May 2019 for more details. Apart from this, during the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies’ assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is an off-balance sheet service in the ordinary course of the Bank’s business. Apart from the financial guarantee services within its business scope approved by the regulators, the Bank did not have any material guarantee that needs to be disclosed. During the reporting period, the Bank did not enter into any other material contract that needs to be disclosed.

## Other Shareholding or Share Participations

In January 2019, the CBIRC approved the Bank’s capital injection of RMB3,060 million to CCB Life. In April 2019, the capital injection to CCB Life was completed, and the subsequent procedures related to the capital increase are still in progress. Please refer to the announcement published by the Bank on 29 April 2019 for more details.

In November 2018, upon the consideration and approval of the Board, the Bank intended to invest in the establishment of a wholly-owned subsidiary, CCB Wealth Management. Please refer to the announcement published by the Bank on 16 November 2018 for more details. In May 2019, the Bank received the CBIRC’s approval on the commencement of business of CCB Wealth Management. In June 2019, CCB Wealth Management commenced business with a registered capital of RMB15 billion.

In July 2018, the Bank signed an agreement as a sponsor, undertaking to invest RMB3 billion in the National Financing Guarantee Fund Co., Ltd within four years. Please refer to the announcement published by the Bank on 31 July 2018. In June 2019, the Bank has completed the second capital contribution of RMB750 million.

## Environmental Protection

The Board of the Bank has established the green credit development strategy and is committed to building a robust long-term mechanism for green finance development. The green credit strategy responsibilities of the Board and the Board’s Social Responsibility and Related Party Transactions Committee were defined. At the level of senior management, the Bank established a Green Finance Committee to play a leading role in the coordination and promotion of green finance initiatives.

The Bank actively promoted green development initiatives. Firstly, the Bank proactively participated in cooperation on green finance. The Bank has led the Special Committee for Green Credit of China Banking Association since 2018, helping the domestic banking industry to promote the development of green credit business. It was among the first to join the “Green Investment Principles for the Belt and Road Initiative”. Secondly, the Bank strove to promote the development of green finance, and made active contributions to reducing greenhouse gas emissions. The Bank increased its green credit, continued to promote business development in its traditional areas of strength including green transportation and green energy, and actively expanded new green areas. It proactively expanded its energy efficiency credit business, and sped up the promotion of green credit products such as “energy conservation loan”, “carbon finance”, “construction loans for sponge cities” and “construction loans for comprehensive utility tunnels”. It proactively participated in and assisted the issuance of green corporate bonds by multiple banks and customers. Thirdly, the Bank strengthened its environmental and social risk management, and improved its abilities to cope with risks. It adopted “environmental protection veto policy” for credit approval and vigorously controlled the increase of credit to customers with high environmental and social risks.

## Protection of Consumer Rights and Interests

Adhering to the customer-centric business philosophy, the Bank continuously promoted its work in consumer rights and interests protection, and proactively protected consumer rights and interests. The Bank continuously improved the building of rules and mechanism for protecting consumers' rights and interests, and consolidated the foundation of management. It strengthened the review and access management of its products and services, by strictly reviewing new products, new services, rules and regulations, contract terms, information disclosure and other issues from the perspective of consumers to ensure from the very beginning that customers could enjoy its financial services with peace of mind so as to reduce the occurrence of consumer disputes. The Bank strengthened the promotion and education of the protection of consumer rights and interests, and carried out a series of activities to promote financial knowledge, which produced positive and widespread social effect. It strengthened complaint management and the application of complaint information, paid close attention to hot issues raised by customers, and improved products and services to enhance customer experience. In the first half of 2019, the overall satisfaction of retail customers of the Bank was 80.7%.

The Bank effectively protected the security of customer information by focusing on multiple aspects including rules and procedures, IT system control and staff training. The Bank formulated a series of rules for customer information security management, in strict compliance with relevant regulatory requirements for customer information gathering. The Bank took prevention and control, monitoring and follow-up measures covering the whole process of the generation, storage, use and transmission of data, forming a multi-level protection mechanism for production data security, and effectively prevented the risk of internal information leaks. The Bank attached great importance to the information system security, carried out inspection of security technologies for all IT systems on a regular basis, and carried out additional inspection each time before new systems are put into operation. The Bank has built an electronic finance risk monitoring system with agile risk detection ability, intelligent risk analysis ability and rapid risk decision control, which prevented economic loss of RMB111 million for customers by AI-assisted risk management and control in the first half of 2019. The Bank organised trainings in relation to the secure use of customer information on a regular basis, and conducted relevant security inspections to continuously strengthen staff's awareness and skills to safely use the information systems in line with regulatory requirements.

## Performance of the Social Responsibilities for Targeted Poverty Alleviation

The Bank attaches great importance to the work of poverty alleviation. The Bank strengthened its poverty alleviation efforts by organising a poverty alleviation conference across the bank to mobilise all its resources, formulating its action plan "Through 2020" for targeted poverty alleviation as a financial institution, and providing favourable policies and resources to the areas deeply stricken by poverty and the designated poverty alleviation areas of the head office and branches. The Bank expanded its service channels and network, innovated service models, and vigorously promoted industry-based poverty alleviation with the help of Fintech. It leveraged the strength of its group members to persist in public welfare assistance with increased financial support, and strengthened the follow-up management and inspection of poverty alleviation donation. In accordance with the PBC statistical standard, the targeted poverty alleviation loans of the Bank were RMB195,506 million at the end of June, an increase of RMB4,745 million over the beginning of the year.

## Major Events

For other major events during the reporting period, please refer to announcements of the Bank published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank.

## Review of Half-Year Report

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

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

# 7 Report on Review of Interim Financial Information

## To the Board of Directors of China Construction Bank Corporation

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

### Introduction

We have reviewed the accompanying interim condensed financial information set out on pages 64 to 161, which comprises the consolidated statement of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") as at 30 June 2019 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and other condensed explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of interim condensed financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

### Ernst & Young

*Certified Public Accountants*

Hong Kong  
28 August 2019

# 8 Half-Year Financial Statements

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# Consolidated Statement of Comprehensive Income

## 8 Half-Year Financial Statements

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

|  | Note | Six months ended 30 June |                     |
|--|------|--------------------------|---------------------|
|  |      | 2019<br>(Unaudited)      | 2018<br>(Unaudited) |
| Interest income  |      | 432,446                  | 395,320             |
| Interest expense   |      | (182,010)                | (155,834)           |
| <b>Net interest income</b>   | 3    | <b>250,436</b>           | 239,486             |
| Fee and commission income  |      | 84,167                   | 75,371              |
| Fee and commission expense   |      | (7,472)                  | (6,367)             |
| <b>Net fee and commission income</b>   | 4    | <b>76,695</b>            | 69,004              |
| Net trading gain   | 5    | 4,858                    | 7,912               |
| Dividend income  | 6    | 414                      | 412                 |
| Net gain arising from investment securities  | 7    | 6,541                    | 3,119               |
| Net gain/(loss) on derecognition of financial assets measured at amortised cost                                  | 8    | 1,435                    | (2,365)             |
| Other operating income, net:   |      |                          |                     |
| – Other operating income   |      | 21,505                   | 23,503              |
| – Other operating expense  |      | (17,497)                 | (18,342)            |
| <b>Other operating income, net</b>   | 9    | <b>4,008</b>             | 5,161               |
| <b>Operating income</b>  |      | <b>344,387</b>           | 322,729             |
| <b>Operating expenses</b>  | 10   | <b>(78,549)</b>          | (74,681)            |
|  |      | <b>265,838</b>           | 248,048             |
| Credit impairment losses   | 11   | (74,638)                 | (67,029)            |
| Other impairment losses  | 12   | (148)                    | 249                 |
| <b>Share of profits of associates and joint ventures</b>   |      | <b>128</b>               | 152                 |
| <b>Profit before tax</b>   |      | <b>191,180</b>           | 181,420             |
| Income tax expense   | 13   | (35,472)                 | (33,955)            |
| <b>Net profit</b>  |      | <b>155,708</b>           | 147,465             |
| <b>Other comprehensive income:</b>   |      |                          |                     |
| (1) Other comprehensive income that will not be reclassified to profit or loss                                   |      |                          |                     |
| Remeasurements of post-employment benefit obligations  |      | 110                      | (178)               |
| Fair value changes of equity instruments designated as measured at fair value through other comprehensive income |      | 318                      | (33)                |
| Others   |      | (3)                      | (5)                 |
| Subtotal   |      | 425                      | (216)               |
| (2) Other comprehensive income that may be reclassified subsequently to profit or loss                           |      |                          |                     |
| Fair value changes of debt instruments measured at fair value through other comprehensive income                 |      | (168)                    | 14,974              |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income       |      | 1,359                    | (161)               |
| Reclassification adjustments included in profit or loss due to disposals   |      | (93)                     | (102)               |
| Net loss on cash flow hedges   |      | (174)                    | (342)               |
| Exchange difference on translating foreign operations  |      | (76)                     | (550)               |
| Subtotal   |      | 848                      | 13,819              |
| <b>Other comprehensive income for the period, net of tax</b>   |      | <b>1,273</b>             | 13,603              |
| <b>Total comprehensive income for the period</b>   |      | <b>156,981</b>           | 161,068             |

The notes on pages 71 to 161 form part of these financial statements.

## Consolidated Statement of Comprehensive Income

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

|   | Note | <b>Six months ended 30 June</b> |                     |
|---|------|---------------------------------|---------------------|
|   |      | <b>2019<br/>(Unaudited)</b>     | 2018<br>(Unaudited) |
| Net profit attributable to:                               |      |                                 |                     |
| Equity shareholders of the Bank                           |      | <b>154,190</b>                  | 147,027             |
| Non-controlling interests                                 |      | <b>1,518</b>                    | 438                 |
|   |      | <b>155,708</b>                  | 147,465             |
| Total comprehensive income attributable to:               |      |                                 |                     |
| Equity shareholders of the Bank                           |      | <b>155,796</b>                  | 160,572             |
| Non-controlling interests                                 |      | <b>1,185</b>                    | 496                 |
|   |      | <b>156,981</b>                  | 161,068             |
| <b>Basic and diluted earnings per share (in RMB Yuan)</b> | 14   | <b>0.62</b>                     | 0.59                |

The notes on pages 71 to 161 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2019

(Expressed in millions of RMB, unless otherwise stated)

|  | Note | 30 June 2019<br>(Unaudited) | 31 December 2018<br>(Audited) |
|--|------|-----------------------------|-------------------------------|
| <b>Assets:</b>   |      |                             |                               |
| Cash and deposits with central banks                                       | 15   | 2,466,167                   | 2,632,863                     |
| Deposits with banks and non-bank financial institutions                    | 16   | 365,628                     | 486,949                       |
| Precious metals  |      | 36,911                      | 33,928                        |
| Placements with banks and non-bank financial institutions                  | 17   | 447,872                     | 349,727                       |
| Positive fair value of derivatives   | 18   | 28,962                      | 50,601                        |
| Financial assets held under resale agreements                              | 19   | 450,226                     | 201,845                       |
| Loans and advances to customers  | 20   | 14,087,296                  | 13,365,430                    |
| Financial investments  | 21   |                             |                               |
| Financial assets measured at fair value through profit or loss             |      | 678,147                     | 731,217                       |
| Financial assets measured at amortised cost                                |      | 3,575,473                   | 3,272,514                     |
| Financial assets measured at fair value through other comprehensive income |      | 1,797,431                   | 1,711,178                     |
| Long-term equity investments   | 22   | 10,424                      | 8,002                         |
| Fixed assets   | 24   | 165,561                     | 169,574                       |
| Land use rights  | 25   | 14,123                      | 14,373                        |
| Intangible assets  | 26   | 3,632                       | 3,622                         |
| Goodwill   | 27   | 2,780                       | 2,766                         |
| Deferred tax assets  | 28   | 63,730                      | 58,730                        |
| Other assets   | 29   | 188,788                     | 129,374                       |
| <b>Total assets</b>  |      | <b>24,383,151</b>           | <b>23,222,693</b>             |
| <b>Liabilities:</b>  |      |                             |                               |
| Borrowings from central banks  | 31   | 446,769                     | 554,392                       |
| Deposits from banks and non-bank financial institutions                    | 32   | 1,452,410                   | 1,427,476                     |
| Placements from banks and non-bank financial institutions                  | 33   | 441,948                     | 420,221                       |
| Financial liabilities measured at fair value through profit or loss        | 34   | 301,500                     | 431,334                       |
| Negative fair value of derivatives   | 18   | 28,017                      | 48,525                        |
| Financial assets sold under repurchase agreements                          | 35   | 35,164                      | 30,765                        |
| Deposits from customers  | 36   | 18,214,072                  | 17,108,678                    |
| Accrued staff costs  | 37   | 31,581                      | 36,213                        |
| Taxes payable  | 38   | 54,422                      | 77,883                        |
| Provisions   | 39   | 39,652                      | 37,928                        |
| Debt securities issued   | 40   | 789,358                     | 775,785                       |
| Deferred tax liabilities   | 28   | 390                         | 485                           |
| Other liabilities  | 41   | 475,830                     | 281,414                       |
| <b>Total liabilities</b>   |      | <b>22,311,113</b>           | <b>21,231,099</b>             |
| <b>Equity:</b>   |      |                             |                               |
| Share capital  | 42   | 250,011                     | 250,011                       |
| Other equity instruments   |      |                             |                               |
| Preference shares  | 43   | 79,636                      | 79,636                        |
| Capital reserve  | 44   | 134,537                     | 134,537                       |
| Other comprehensive income   | 45   | 20,057                      | 18,451                        |
| Surplus reserve  | 46   | 223,231                     | 223,231                       |
| General reserve  | 47   | 280,045                     | 279,725                       |
| Retained earnings  | 48   | 1,068,239                   | 990,872                       |
| Total equity attributable to equity shareholders of the Bank               |      | 2,055,756                   | 1,976,463                     |
| Non-controlling interests  |      | 16,282                      | 15,131                        |
| <b>Total equity</b>  |      | <b>2,072,038</b>            | <b>1,991,594</b>              |
| <b>Total liabilities and equity</b>  |      | <b>24,383,151</b>           | <b>23,222,693</b>             |

Approved and authorised for issue by the Board of Directors on 28 August 2019.

**Liu Guiping**

*Vice Chairman, executive director and president*

**Kenneth Patrick Chung**

*Independent non-executive director*

**Murray Horn**

*Independent non-executive director*

The notes on pages 71 to 161 form part of these financial statements.

# Consolidated Statement of Changes in Equity

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

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

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

The notes on pages 71 to 161 form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

(Expressed in millions of RMB, unless otherwise stated)

(Audited)

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

The notes on pages 71 to 161 form part of these financial statements.

# Consolidated Statement of Cash Flows

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

|  | Note | Six months ended 30 June |                     |
|--|------|--------------------------|---------------------|
|  |      | 2018<br>(Unaudited)      | 2017<br>(Unaudited) |
| <b>Cash flows from operating activities</b>  |      |                          |                     |
| Profit before tax  |      | 191,180                  | 181,420             |
| <i>Adjustments for:</i>  |      |                          |                     |
| – Credit impairment losses   | 11   | 74,638                   | 67,029              |
| – Other impairment losses  | 11   | 148                      | (249)               |
| – Depreciation and amortisation  | 10   | 11,334                   | 8,323               |
| – Interest income from impaired financial assets   |      | (1,558)                  | (1,495)             |
| – Revaluation gain on financial instruments at fair value through profit or loss               |      | (2,758)                  | (1,281)             |
| – Share of profits of associates and joint ventures  |      | (128)                    | (152)               |
| – Dividend income  | 6    | (414)                    | (412)               |
| – Unrealised foreign exchange (gain)/loss  |      | (1,377)                  | 39                  |
| – Interest expense on bonds issued   |      | 8,450                    | 5,820               |
| – Interest income from investment securities and net income from disposal                      | 7    | (99,039)                 | (3,119)             |
| – Net loss/(gain) on disposal of fixed assets and other long-term assets                       |      | 14                       | (69)                |
|  |      | <b>180,490</b>           | 255,854             |
| <i>Changes in operating assets:</i>  |      |                          |                     |
| Net decrease in deposits with central banks and with banks and non-bank financial institutions |      | 116,955                  | 361,908             |
| Net increase in placements with banks and non-bank financial institutions                      |      | (46,175)                 | (64,252)            |
| Net increase in loans and advances to customers  |      | (789,557)                | (548,492)           |
| Net increase in financial assets held under resale agreements                                  |      | (248,393)                | (186,488)           |
| Net increase in financial assets held for trading purposes                                     |      | (29,049)                 | (11,643)            |
| Net (increase)/decrease in other operating assets  |      | (48,474)                 | 35,190              |
|  |      | <b>(1,044,693)</b>       | (413,777)           |
| <i>Changes in operating liabilities:</i>   |      |                          |                     |
| Net decrease in borrowings from central banks  |      | (106,020)                | (101,386)           |
| Net increase in placements from banks and non-bank financial institutions                      |      | 21,599                   | 46,725              |
| Net increase in deposits from customers and from banks and non-bank financial institutions     |      | 1,114,318                | 516,109             |
| Net increase/(decrease) in financial assets sold under repurchase agreements                   |      | 4,513                    | (26,011)            |
| Net increase in certificates of deposit issued   |      | 22,312                   | 67,489              |
| Income tax paid  |      | (64,183)                 | (47,651)            |
| Net decrease in financial liabilities measured at fair value through profit or loss            |      | (128,525)                | (9,124)             |
| Net increase/(decrease) in other operating liabilities   |      | 114,367                  | (14,148)            |
|  |      | <b>978,381</b>           | 432,003             |
| <b>Net cash from operating activities</b>  |      | <b>114,178</b>           | 274,080             |

The notes on pages 71 to 161 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

(Expressed in millions of RMB, unless otherwise stated)

|   | Note | Six months ended 30 June |                     |
|---|------|--------------------------|---------------------|
|   |      | 2018<br>(Unaudited)      | 2017<br>(Unaudited) |
| <b>Cash flows from investing activities</b>                         |      |                          |                     |
| Proceeds from sales and redemption of financial investments         |      | 944,055                  | 1,030,301           |
| Dividends received  |      | 514                      | 725                 |
| Proceeds from disposal of fixed assets and other long-term assets   |      | 533                      | 626                 |
| Purchase of investment securities                                   |      | (1,150,565)              | (1,035,904)         |
| Purchase of fixed assets and other long-term assets                 |      | (5,402)                  | (4,739)             |
| Acquisition of subsidiaries, associates and joint ventures          |      | (2,604)                  | (745)               |
| <b>Net cash used in investing activities</b>                        |      | <b>(213,469)</b>         | <b>(9,736)</b>      |
| <b>Cash flows from financing activities</b>                         |      |                          |                     |
| Issue of bonds  |      | 18,762                   | 18,585              |
| Consideration paid for acquisition of non-controlling interests     |      | –                        | (85)                |
| Dividends paid  |      | –                        | (11)                |
| Repayment of borrowings   |      | (32,003)                 | (3,261)             |
| Interest paid on bonds issued                                       |      | (3,340)                  | (2,718)             |
| Cash payment for other financing activities                         |      | (3,311)                  | –                   |
| <b>Net cash (used in)/from financing activities</b>                 |      | <b>(19,892)</b>          | <b>12,510</b>       |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> |      | <b>(293)</b>             | <b>4,801</b>        |
| <b>Net (decrease)/increase in cash and cash equivalents</b>         |      | <b>(119,476)</b>         | <b>281,655</b>      |
| <b>Cash and cash equivalents as at 1 January</b>                    | 49   | <b>860,702</b>           | <b>571,339</b>      |
| <b>Cash and cash equivalents as at 30 June</b>                      | 49   | <b>741,226</b>           | <b>852,994</b>      |
| <b>Cash flows from operating activities include:</b>                |      |                          |                     |
| Interest received   |      | 333,719                  | 387,289             |
| Interest paid, excluding interest expense on bonds issued           |      | (159,796)                | (165,427)           |

The notes on pages 71 to 161 form part of these financial statements.

## 1 Company information

The history of China Construction Bank Corporation (the “Bank”) dates back to 1954, which was previously known as the People’s Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People’s Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People’s Construction Bank of China changed its name to China Construction Bank (“CCB”). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People’s Republic of China (the “PRC”) as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank’s H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), respectively. As at 30 June 2019, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission (“CBRC”) (In 2018, it was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the “CBIRC”) of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Financial Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the “Group”) are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the “State Council”). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investment Ltd. (“Huijin”), a wholly-owned subsidiary of China Investment Corporation (“CIC”), exercises its rights and obligations as an investor on behalf of the PRC government.

## 2 Basis of preparation and significant accounting policies

### (1) Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2018. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

### (2) Use of estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

### (3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group’s interests in associates and joint ventures.

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The Group’s interests in associates or joint ventures are included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s interests in the associates or joint ventures.



## 2 Basis of preparation and significant accounting policies (continued)

### (4) Changes in significant accounting policies

The Group has adopted IFRS 16 “Leases” (“IFRS 16”) as issued by the International Accounting Standards Board (“IASB”) in January 2016 with a date of initial application on 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

The Group has not reassessed existing contracts before the date of initial application and adopted several specified practical expedients, including (a) applying a single discount rate to a portfolio of leases with reasonably similar characteristics; (b) accounting for leases for which the lease term ends within 12 months from the date of initial application in the same way as short-term leases; (c) excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and (d) using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group chose to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of prepaid lease payments, etc. Total assets and total liabilities at the group level as at 1 January 2019 both increased by RMB19,944 million as compared to the end of 2018. In addition to land use rights, the Group recognised other right-of-use assets and lease liabilities of RMB21,752 million and RMB19,914 million at the date of initial application, respectively. The reconciliation between the operating lease commitments disclosed in the Group’s financial statements for the year ended 31 December 2018, and the lease liabilities recognised in the statement of financial position at the date of initial application is as follows:

|  |         |
|--|---------|
| Operating lease commitments as at 31 December 2018   | 22,351  |
| Less: minimum lease payments with recognition exemption                                      | (790)   |
| Add: minimum lease payments arising from reasonably exercising an option to extend the lease | 467     |
| Less: impact of discounting at the incremental borrowing rate as at 1 January 2019           | (2,114) |
|  | <hr/>   |
| Lease liabilities as at 1 January 2019   | 19,914  |

Except for those described above, the significant accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

### (5) Taxation

The Group’s main applicable taxes and tax rates are as follows:

#### *Value added tax (“VAT”)*

Pursuant to the “Circular on the Comprehensive Plan for Levying VAT in place of Business Tax” (CaiShui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016, and the main VAT taxation rate is 6%.

#### *City construction tax*

City construction tax is calculated as 1% to 7% of VAT.

#### *Education surcharge*

Education surcharge is calculated as 3% of VAT.

#### *Local education surcharge*

Local education surcharge is calculated as 2% of VAT.

#### *Income tax*

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC.

### (6) Interim financial statements and statutory accounts

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 28 August 2019. The interim financial statements have also been reviewed by the Bank’s auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial statements as previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. The preceding auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2019.

### 3 Net interest income

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2019                     | 2018      |
| <b>Interest income arising from:</b>                      |                          |           |
| Deposits with central banks                               | 17,606                   | 19,878    |
| Deposits with banks and non-bank financial institutions   | 5,962                    | 6,391     |
| Placements with banks and non-bank financial institutions | 5,511                    | 5,310     |
| Financial assets held under resale agreements             | 4,603                    | 4,656     |
| Investment securities                                     | 92,498                   | 84,312    |
| Loans and advances to customers                           |                          |           |
| – Corporate loans and advances                            | 167,373                  | 157,782   |
| – Personal loans and advances                             | 132,792                  | 115,063   |
| – Discounted bills  | 6,101                    | 1,928     |
| Total   | 432,446                  | 395,320   |
| <b>Interest expense arising from:</b>                     |                          |           |
| Borrowings from central banks                             | (7,222)                  | (7,606)   |
| Deposits from banks and non-bank financial institutions   | (17,081)                 | (17,233)  |
| Placements from banks and non-bank financial institutions | (7,388)                  | (7,233)   |
| Financial assets sold under repurchase agreements         | (619)                    | (819)     |
| Debt securities issued                                    | (13,932)                 | (13,091)  |
| Deposits from customers                                   |                          |           |
| – Corporate deposits                                      | (61,160)                 | (57,384)  |
| – Personal deposits                                       | (74,608)                 | (52,468)  |
| Total   | (182,010)                | (155,834) |
| Net interest income                                       | 250,436                  | 239,486   |

(1) Interest income from impaired financial assets is listed as follows:

|                                 | Six months ended 30 June |       |
|---------------------------------|--------------------------|-------|
|                                 | 2019                     | 2018  |
| Impaired loans and advances     | 1,438                    | 1,488 |
| Other impaired financial assets | 120                      | 7     |
| Total                           | 1,558                    | 1,495 |

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

## 4 Net fee and commission income

|  | Six months ended 30 June |         |
|--|--------------------------|---------|
|  | 2019                     | 2018    |
| <b>Fee and commission income</b>             |                          |         |
| Bank card fees                               | 26,184                   | 22,743  |
| Electronic banking service fees              | 12,263                   | 10,364  |
| Agency service fees                          | 10,863                   | 9,214   |
| Commission on trust and fiduciary activities | 8,617                    | 7,344   |
| Wealth management service fees               | 7,450                    | 6,552   |
| Settlement and clearing fees                 | 6,998                    | 7,176   |
| Consultancy and advisory fees                | 6,584                    | 6,552   |
| Guarantee fees                               | 1,818                    | 1,765   |
| Credit commitment fees                       | 883                      | 836     |
| Others                                       | 2,507                    | 2,825   |
| Total  | 84,167                   | 75,371  |
| <b>Fee and commission expense</b>            |                          |         |
| Bank card transaction fees                   | (3,477)                  | (3,457) |
| Inter-bank transaction fees                  | (559)                    | (636)   |
| Others                                       | (3,436)                  | (2,274) |
| Total  | (7,472)                  | (6,367) |
| Net fee and commission income                | 76,695                   | 69,004  |

## 5 Net trading gain

|                    | Six months ended 30 June |       |
|--------------------|--------------------------|-------|
|                    | 2019                     | 2018  |
| Debt securities    | 4,035                    | 5,613 |
| Equity investments | 497                      | (42)  |
| Derivatives        | 45                       | 1,097 |
| Others             | 281                      | 1,244 |
| Total              | 4,858                    | 7,912 |

## 6 Dividend income

|   | Six months ended 30 June |      |
|---|--------------------------|------|
|   | 2019                     | 2018 |
| Dividend income from equity investments measured at fair value through profit or loss             | 406                      | 226  |
| Dividend income from equity investments measured at fair value through other comprehensive income | 8                        | 186  |
| Total   | 414                      | 412  |

## 7 Net gain arising from investment securities

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

## 8 Net gain/(loss) on derecognition of financial assets measured at amortised cost

For the six months ended 30 June 2019, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to net gains of RMB1,340 million arising from the derecognition of loans and advances to customers (for the six months ended 30 June 2018: net losses of RMB2,452 million).

## 9 Other operating income, net

| Other operating income   | Six months ended 30 June |        |
|--------------------------|--------------------------|--------|
|                          | 2019                     | 2018   |
| Insurance related income | 14,013                   | 16,125 |
| Foreign exchange gains   | 2,836                    | 3,820  |
| Rental income            | 1,344                    | 1,330  |
| Others                   | 3,312                    | 2,228  |
| Total                    | 21,505                   | 23,503 |

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and currency swaps entered into in order to economically hedge positions in foreign currency assets).

| Other operating expense | Six months ended 30 June |        |
|-------------------------|--------------------------|--------|
|                         | 2019                     | 2018   |
| Insurance related costs | 13,317                   | 15,918 |
| Others                  | 4,180                    | 2,424  |
| Total                   | 17,497                   | 18,342 |

## 10 Operating expenses

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

## 11 Credit impairment losses

|  | Six months ended 30 June |        |
|--|--------------------------|--------|
|  | 2019                     | 2018   |
| Loans and advances to customers  | 69,787                   | 63,164 |
| Financial investments  |                          |        |
| Financial assets measured at amortised cost                                | 1,311                    | 864    |
| Financial assets measured at fair value through other comprehensive income | 1,661                    | (387)  |
| Off-balance sheet business   | 1,317                    | 3,092  |
| Others   | 562                      | 296    |
|  | <b>74,638</b>            | 67,029 |
| Total  |                          |        |

## 12 Other impairment losses

|                         | Six months ended 30 June |       |
|-------------------------|--------------------------|-------|
|                         | 2019                     | 2018  |
| Other impairment losses | 148                      | (249) |

## 13 Income tax expense

### (1) Income tax expense

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

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

### (2) Reconciliation between income tax expense and accounting profit

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

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

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

## 14 Earnings per share

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

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

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

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

## 15 Cash and deposits with central banks

|                              | Note | 30 June 2019 | 31 December 2018 |
|------------------------------|------|--------------|------------------|
| Cash                         |      | 59,906       | 65,215           |
| Deposits with central banks  |      |              |                  |
| – Statutory deposit reserves | (1)  | 2,055,184    | 2,130,958        |
| – Surplus deposit reserves   | (2)  | 301,981      | 389,425          |
| – Fiscal deposits and others |      | 48,090       | 46,095           |
| Accrued interest             |      | 1,006        | 1,170            |
| Total                        |      | 2,466,167    | 2,632,863        |

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

As at the end of the reporting period, the Bank's statutory deposit reserve rates in Mainland China were as follows:

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Reserve rate for RMB deposits              | 12.00%       | 13.00%           |
| Reserve rate for foreign currency deposits | 5.00%        | 5.00%            |

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

## 16 Deposits with banks and non-bank financial institutions

### (1) Analysed by type of counterparties

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Banks                                      | 344,012      | 468,564          |
| Non-bank financial institutions            | 18,552       | 15,703           |
| Accrued interest                           | 3,221        | 2,912            |
| Gross balances                             | 365,785      | 487,179          |
| Allowances for impairment losses (Note 30) | (157)        | (230)            |
| Net balances                               | 365,628      | 486,949          |

### (2) Analysed by geographical sectors

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Mainland China                             | 328,023      | 451,606          |
| Overseas                                   | 34,541       | 32,661           |
| Accrued interest                           | 3,221        | 2,912            |
| Gross balances                             | 365,785      | 487,179          |
| Allowances for impairment losses (Note 30) | (157)        | (230)            |
| Net balances                               | 365,628      | 486,949          |

For the six months ended 30 June 2019 and for the year ended 31 December 2018, the book value of deposits with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

## 17 Placements with banks and non-bank financial institutions

### (1) Analysed by type of counterparties

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Banks                                      | 290,276      | 240,418          |
| Non-bank financial institutions            | 155,226      | 107,285          |
| Accrued interest                           | 2,539        | 2,138            |
| Gross balances                             | 448,041      | 349,841          |
| Allowances for impairment losses (Note 30) | (169)        | (114)            |
| Net balances                               | 447,872      | 349,727          |

### (2) Analysed by geographical sectors

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Mainland China                             | 312,622      | 187,065          |
| Overseas                                   | 132,880      | 160,638          |
| Accrued interest                           | 2,539        | 2,138            |
| Gross balances                             | 448,041      | 349,841          |
| Allowances for impairment losses (Note 30) | (169)        | (114)            |
| Net balances                               | 447,872      | 349,727          |

For the six months ended 30 June 2019 and for the year ended 31 December 2018, the book value of placements with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

## 18 Derivatives and hedge accounting

### (1) Analysed by type of contract

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



## 18 Derivatives and hedge accounting (continued)

### (2) Analysed by counterparty credit risk-weighted assets

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

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

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

### (3) Hedge accounting

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

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

#### (a) Fair value hedge

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

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

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

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

## 18 Derivatives and hedge accounting (continued)

### (3) Hedge accounting (continued)

#### (b) Cash flow hedge

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

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

## 19 Financial assets held under resale agreements

Financial assets held under resale agreements by underlying assets are shown as follows:

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Debt securities   |              |                  |
| – Government bonds  | 177,643      | 62,775           |
| – Debt securities issued by policy banks, banks and non-bank financial institutions | 217,722      | 77,639           |
| – Corporate bonds   | –            | 28               |
| Subtotal  | 395,365      | 140,442          |
| Discounted bills  | 54,774       | 61,302           |
| Accrued interest  | 122          | 145              |
| Total   | 450,261      | 201,889          |
| Allowances for impairment losses (Note 30)  | (35)         | (44)             |
| Net balances  | 450,226      | 201,845          |

For the six months ended 30 June 2019 and for the year ended 31 December 2018, the book value of financial assets held under resale agreements was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

## 20 Loans and advances to customers

### (1) Analysed by measurement

|  | Note | 30 June 2019 | 31 December 2018 |
|--|------|--------------|------------------|
| Loans and advances to customers measured at amortised cost   |      | 14,035,449   | 13,405,030       |
| Less: allowances for impairment losses   |      | (452,543)    | (417,623)        |
| The carrying amount of loans and advances to customers measured at amortised cost                                | (a)  | 13,582,906   | 12,987,407       |
| The carrying amount of loans and advances to customers measured at fair value through other comprehensive income | (b)  | 454,457      | 308,368          |
| The carrying amount of loans and advances to customers measured at fair value through profit or loss             | (c)  | 12,029       | 32,857           |
| Accrued interest   |      | 37,904       | 36,798           |
| The carrying amount of loans and advances to customers   |      | 14,087,296   | 13,365,430       |

## 20 Loans and advances to customers (continued)

### (1) Analysed by measurement (continued)

#### (a) Loans and advances to customers measured at amortised cost

|  | 30 June 2019      | 31 December 2018 |
|--|-------------------|------------------|
| Corporate loans and advances                                     |                   |                  |
| – Loans  | 7,698,731         | 7,309,538        |
| – Finance leases   | 133,242           | 136,071          |
|  | <b>7,831,973</b>  | 7,445,609        |
| Personal loans and advances                                      |                   |                  |
| – Residential mortgages  | 5,101,715         | 4,844,440        |
| – Personal consumer loans  | 178,105           | 214,783          |
| – Personal business loans  | 40,112            | 37,287           |
| – Credit cards   | 675,766           | 655,190          |
| – Others   | 207,715           | 205,845          |
|  | <b>6,203,413</b>  | 5,957,545        |
| Discounted bills   | 63                | 1,876            |
| Gross loans and advances to customers measured at amortised cost | <b>14,035,449</b> | 13,405,030       |
| Stage 1  | (211,912)         | (183,615)        |
| Stage 2  | (96,485)          | (93,624)         |
| Stage 3  | (144,146)         | (140,384)        |
| Allowances for impairment losses (Note 30)                       | <b>(452,543)</b>  | (417,623)        |
| Net loans and advances to customers measured at amortised cost   | <b>13,582,906</b> | 12,987,407       |

#### (b) Loans and advances to customers measured at fair value through other comprehensive income

|                  | 30 June 2019 | 31 December 2018 |
|------------------|--------------|------------------|
| Discounted bills | 454,457      | 308,368          |

#### (c) Loans and advances to customers measured at fair value through profit or loss

|                              | 30 June 2019 | 31 December 2018 |
|------------------------------|--------------|------------------|
| Corporate loans and advances | 12,029       | 32,857           |

## 20 Loans and advances to customers (continued)

### (2) Analysed by assessment method of expected credit losses

|  | 30 June 2019     |          |           |            |
|--|------------------|----------|-----------|------------|
|  | Stage 1          | Stage 2  | Stage 3   | Total      |
| Gross loans and advances to customers measured at amortised cost   | 13,408,832       | 418,548  | 208,069   | 14,035,449 |
| Less: allowances for impairment losses   | (211,912)        | (96,485) | (144,146) | (452,543)  |
| The carrying amount of loans and advances to customers measured at amortised cost                                | 13,196,920       | 322,063  | 63,923    | 13,582,906 |
| The carrying amount of loans and advances measured at fair value through other comprehensive income              | 454,168          | 289      | –         | 454,457    |
| Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income | (1,083)          | (30)     | –         | (1,113)    |
|  | 31 December 2018 |          |           |            |
|  | Stage 1          | Stage 2  | Stage 3   | Total      |
| Gross loans and advances to customers measured at amortised cost   | 12,808,032       | 396,117  | 200,881   | 13,405,030 |
| Less: allowances for impairment losses   | (183,615)        | (93,624) | (140,384) | (417,623)  |
| The carrying amount of loans and advances to customers measured at amortised cost                                | 12,624,417       | 302,493  | 60,497    | 12,987,407 |
| The carrying amount of loans and advances measured at fair value through other comprehensive income              | 308,346          | 22       | –         | 308,368    |
| Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income | (944)            | (2)      | –         | (946)      |

For loans and advances to customers at Stages 1 and 2 and personal loans and advances at Stage 3, the expected credit loss (“ECL”) model is used to calculate the ECL amount, while for corporate loans and advances at Stage 3, the discounted cash flow model is used.

The segmentation of the loans mentioned above is defined in Note 56(1).

### (3) Movements of allowances for impairment losses

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

## 20 Loans and advances to customers (continued)

### (3) Movements of allowances for impairment losses (continued)

|  | Note | 2018     |          |          | Total     |
|--|------|----------|----------|----------|-----------|
|  |      | Stage 1  | Stage 2  | Stage 3  |           |
| As at 1 January 2018                           |      | 149,249  | 65,887   | 128,666  | 343,802   |
| Transfers:                                     |      |          |          |          |           |
| Transfers in/(out) to Stage 1                  |      | 3,153    | (2,578)  | (575)    | –         |
| Transfers in/(out) to Stage 2                  |      | (4,241)  | 5,041    | (800)    | –         |
| Transfers in/(out) to Stage 3                  |      | (1,476)  | (16,077) | 17,553   | –         |
| Newly originated or purchased financial assets |      | 88,574   | –        | –        | 88,574    |
| Transfer out/repayment                         | (i)  | (60,428) | (9,578)  | (40,718) | (110,724) |
| Remeasurements                                 | (ii) | 8,784    | 50,929   | 73,514   | 133,227   |
| Write-off                                      |      | –        | –        | (43,879) | (43,879)  |
| Recoveries of loans and advances written off   |      | –        | –        | 6,623    | 6,623     |
| As at 31 December 2018                         |      | 183,615  | 93,624   | 140,384  | 417,623   |

- (i) Transfer out/repayment refers to packaged disposal, securitisation of assets, debt-to-equity swap and as a result of foreclosures, as well as repayment of the loans.
- (ii) Remeasurements comprise the impact of changes in Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"); changes in model assumptions and methodology; credit loss changes due to stage-transfer; unwinding of discount; and the impact of exchange rate changes.

The allowances for impairment losses disclosed above are for loans and advances to customers measured at amortised cost.

### (4) Overdue loans analysed by overdue period

|  | 30 June 2019                |   |  |                          | Total   |
|--|-----------------------------|---|--|--------------------------|---------|
|  | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years |         |
| Unsecured loans  | 12,849                      | 13,810                                    | 5,456                                    | 694                      | 32,809  |
| Guaranteed loans   | 17,781                      | 29,045                                    | 24,414                                   | 3,970                    | 75,210  |
| Loans secured by property and other immovable assets     | 33,131                      | 32,220                                    | 18,776                                   | 5,244                    | 89,371  |
| Other pledged loans                                      | 4,229                       | 5,136                                     | 690                                      | 325                      | 10,380  |
| Total  | 67,990                      | 80,211                                    | 49,336                                   | 10,233                   | 207,770 |
| As a percentage of gross loans and advances to customers | 0.47%                       | 0.55%                                     | 0.34%                                    | 0.07%                    | 1.43%   |

|  | 31 December 2018            |   |  |                          | Total   |
|--|-----------------------------|---|--|--------------------------|---------|
|  | Overdue within three months | Overdue between three months and one year | Overdue between one year and three years | Overdue over three years |         |
| Unsecured loans  | 13,719                      | 12,734                                    | 4,547                                    | 825                      | 31,825  |
| Guaranteed loans   | 13,461                      | 27,875                                    | 21,495                                   | 3,206                    | 66,037  |
| Loans secured by property and other immovable assets     | 25,407                      | 22,671                                    | 19,243                                   | 5,188                    | 72,509  |
| Other pledged loans                                      | 2,458                       | 1,983                                     | 685                                      | 224                      | 5,350   |
| Total  | 55,045                      | 65,263                                    | 45,970                                   | 9,443                    | 175,721 |
| As a percentage of gross loans and advances to customers | 0.40%                       | 0.47%                                     | 0.33%                                    | 0.07%                    | 1.27%   |

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

## 20 Loans and advances to customers (continued)

### (5) Packaged disposal of non-performing loans

For the six months ended 30 June 2019, the total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB9,608 million (for the six months ended 30 June 2018: RMB9,327 million).

### (6) Write-off

According to the Group's write-off policy, it is required to continue to recover the bad debts that are written off. For the six months ended 30 June 2019, the amount of the loans and advances to customers that the Group has written off but still under enforcement was RMB9,032 million (for the six month ended 30 June 2018: RMB7,853 million).

## 21 Financial investments

### (1) Analysed by measurement

|  | Note | 30 June 2019 | 31 December 2018 |
|--|------|--------------|------------------|
| Financial assets measured at fair value through profit or loss             | (a)  | 678,147      | 731,217          |
| Financial assets measured at amortised cost                                | (b)  | 3,575,473    | 3,272,514        |
| Financial assets measured at fair value through other comprehensive income | (c)  | 1,797,431    | 1,711,178        |
| Total  |      | 6,051,051    | 5,714,909        |

#### (a) Financial assets measured at fair value through profit or loss Analysed by nature

|  | Note  | 30 June 2019 | 31 December 2018 |
|--|-------|--------------|------------------|
| Held-for-trading purposes  |       |              |                  |
| – Debt securities  | (i)   | 254,174      | 218,757          |
| – Equity instruments and funds   | (ii)  | 1,151        | 1,706            |
|  |       | 255,325      | 220,463          |
| Financial assets designated as measured at fair value through profit or loss |       |              |                  |
| – Debt securities  | (iii) | 11,152       | 14,909           |
| – Other debt instruments   | (iv)  | 223,304      | 350,578          |
|  |       | 234,456      | 365,487          |
| Others   |       |              |                  |
| – Credit investments   | (v)   | 17,431       | 14,257           |
| – Debt securities  | (vi)  | 54,625       | 31,740           |
| – Funds and others   | (vii) | 116,310      | 99,270           |
|  |       | 188,366      | 145,267          |
| Total  |       | 678,147      | 731,217          |

## 21 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### (a) Financial assets measured at fair value through profit or loss (continued)

##### Analysed by type of issuers

##### Held-for-trading purposes

##### (i) Debt securities

|   | 30 June 2019   | 31 December 2018 |
|---|----------------|------------------|
| Government                                | 11,095         | 8,361            |
| Policy banks                              | 37,737         | 41,068           |
| Banks and non-bank financial institutions | 65,342         | 52,288           |
| Enterprises                               | 140,000        | 117,040          |
| <b>Total</b>                              | <b>254,174</b> | <b>218,757</b>   |
| Listed (Note)                             | 254,174        | 218,757          |
| – of which in Hong Kong                   | 1,114          | 1,091            |
| <b>Total</b>                              | <b>254,174</b> | <b>218,757</b>   |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

##### (ii) Equity instruments and funds

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Banks and non-bank financial institutions | 89           | 453              |
| Enterprises                               | 1,062        | 1,253            |
| <b>Total</b>                              | <b>1,151</b> | <b>1,706</b>     |
| Listed                                    | 1,112        | 1,677            |
| – of which in Hong Kong                   | 987          | 1,150            |
| Unlisted                                  | 39           | 29               |
| <b>Total</b>                              | <b>1,151</b> | <b>1,706</b>     |

#### Financial assets designated as measured at fair value through profit or loss

##### (iii) Debt securities

|                       | 30 June 2019 | 31 December 2018 |
|-----------------------|--------------|------------------|
| Enterprises, unlisted | 11,152       | 14,909           |

##### (iv) Other debt instruments

|   | 30 June 2019   | 31 December 2018 |
|---|----------------|------------------|
| Banks and non-bank financial institutions | 142,344        | 257,813          |
| Enterprises                               | 80,960         | 92,765           |
| <b>Total</b>                              | <b>223,304</b> | <b>350,578</b>   |

## 21 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### (a) Financial assets measured at fair value through profit or loss (continued) Analysed by type of issuers (continued)

Financial assets designated as measured at fair value through profit or loss (continued)

#### (iv) Other debt instruments (continued)

Other debt instruments were mainly the deposits with banks and non-bank financial institutions, debt securities and credit assets invested by principal guaranteed wealth management products (Note 23(2)).

The amounts of changes in the fair value of these financial assets that are attributable to changes in credit risk are considered not significant during the period and the year presented and cumulatively as at 30 June 2019 and 31 December 2018.

Others

#### (v) Credit investments

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Banks and non-bank financial institutions, unlisted | 17,431       | 14,257           |

#### (vi) Debt securities

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Policy banks                              | 4,223        | 4,094            |
| Banks and non-bank financial institutions | 50,402       | 27,646           |
| Total                                     | 54,625       | 31,740           |
| Listed (Note)                             | 54,166       | 31,279           |
| Unlisted                                  | 459          | 461              |
| Total                                     | 54,625       | 31,740           |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

#### (vii) Funds and others

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Banks and non-bank financial institutions | 75,535       | 62,156           |
| Enterprises                               | 40,775       | 37,114           |
| Total                                     | 116,310      | 99,270           |
| Listed                                    | 55,103       | 44,027           |
| – of which in Hong Kong                   | 1,097        | 1,143            |
| Unlisted                                  | 61,207       | 55,243           |
| Total                                     | 116,310      | 99,270           |

There was no significant limitation on the ability of the Group to dispose of financial assets measured at fair value through profit or loss.



## 21 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### (b) Financial assets measured at amortised cost Analysed by type of issuers

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Government                                | 2,825,086    | 2,623,081        |
| Central banks                             | 5,391        | 447              |
| Policy banks                              | 385,689      | 372,422          |
| Banks and non-bank financial institutions | 105,289      | 33,972           |
| Enterprises                               | 161,375      | 152,404          |
| Special government bond                   | 49,200       | 49,200           |
| Subtotal                                  | 3,532,030    | 3,231,526        |
| Accrued interest                          | 51,606       | 47,823           |
| Gross balances                            | 3,583,636    | 3,279,349        |
| Allowances for impairment losses          |              |                  |
| – Stage 1                                 | (5,681)      | (5,171)          |
| – Stage 2                                 | (218)        | (509)            |
| – Stage 3                                 | (2,264)      | (1,155)          |
| Subtotal                                  | (8,163)      | (6,835)          |
| Net balances                              | 3,575,473    | 3,272,514        |
| Listed (Note)                             | 3,358,572    | 3,121,678        |
| – of which in Hong Kong                   | 3,941        | 5,903            |
| Unlisted                                  | 216,901      | 150,836          |
| Total                                     | 3,575,473    | 3,272,514        |
| Market value of listed bonds              | 3,396,060    | 3,124,407        |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

#### (c) Financial assets measured at fair value through other comprehensive income Analysed by nature

|                    | Note | 30 June 2019 | 31 December 2018 |
|--------------------|------|--------------|------------------|
| Debt securities    | (i)  | 1,792,989    | 1,707,884        |
| Equity instruments | (ii) | 4,442        | 3,294            |
| Total              |      | 1,797,431    | 1,711,178        |

## 21 Financial investments (continued)

### (1) Analysed by measurement (continued)

#### (c) Financial assets measured at fair value through other comprehensive income (continued)

##### Analysed by type of issuers

##### (i) Debt securities

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Government  | 1,069,338    | 1,015,579        |
| Central banks   | 36,743       | 38,483           |
| Policy banks  | 364,233      | 351,329          |
| Banks and non-bank financial institutions                               | 141,411      | 112,860          |
| Enterprises   | 133,458      | 145,290          |
| Accumulated changes of fair value charged in other comprehensive income | 19,686       | 19,900           |
| Subtotal  | 1,764,869    | 1,683,441        |
| Accrued interest  | 28,120       | 24,443           |
| Carrying value  | 1,792,989    | 1,707,884        |
| Listed (Note)   | 1,759,495    | 1,681,048        |
| – of which in Hong Kong   | 73,131       | 65,938           |
| Unlisted  | 33,494       | 26,836           |
| Total   | 1,792,989    | 1,707,884        |

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

##### (ii) Equity instruments designated at fair value through other comprehensive income

|                    | 30 June 2019 |                 | 31 December 2018 |                 |
|--------------------|--------------|-----------------|------------------|-----------------|
|                    | Fair value   | Dividend income | Fair value       | Dividend income |
| Equity instruments | 4,442        | 8               | 3,294            | 97              |

For the six months ended 30 June 2019 and for the year ended 31 December 2018, the Group neither sold any investments above nor transferred any cumulative profit or loss in the equity.

## 21 Financial investments (continued)

### (2) Movements of financial investments

#### (a) Financial assets measured at amortised cost

|   | Six months ended 30 June 2019 |         |         |           |
|---|-------------------------------|---------|---------|-----------|
|   | Stage 1                       | Stage 2 | Stage 3 | Total     |
| As at 1 January 2019                            | 3,225,378                     | 3,641   | 2,507   | 3,231,526 |
| Transfers:                                      |                               |         |         |           |
| Transfers in/(out) to Stage 1                   | -                             | -       | -       | -         |
| Transfers in/(out) to Stage 2                   | (3,107)                       | 3,107   | -       | -         |
| Transfers in/(out) to Stage 3                   | (851)                         | (1,963) | 2,814   | -         |
| Newly originated or purchased financial assets  | 1,041,011                     | -       | -       | 1,041,011 |
| Financial assets derecognised during the period | (740,115)                     | (346)   | -       | (740,461) |
| Foreign exchange and other movements            | 38                            | (72)    | (12)    | (46)      |
| As at 30 June 2019                              | 3,522,354                     | 4,367   | 5,309   | 3,532,030 |
|   | 2018                          |         |         |           |
|   | Stage 1                       | Stage 2 | Stage 3 | Total     |
| As at 1 January 2018                            | 3,237,512                     | 786     | 650     | 3,238,948 |
| Transfers:                                      |                               |         |         |           |
| Transfers in/(out) to Stage 1                   | -                             | -       | -       | -         |
| Transfers in/(out) to Stage 2                   | (3,896)                       | 3,896   | -       | -         |
| Transfers in/(out) to Stage 3                   | (1,979)                       | -       | 1,979   | -         |
| Newly originated or purchased financial assets  | 380,371                       | -       | -       | 380,371   |
| Financial assets derecognised during the year   | (388,976)                     | (1,053) | (153)   | (390,182) |
| Foreign exchange and other movements            | 2,346                         | 12      | 31      | 2,389     |
| As at 31 December 2018                          | 3,225,378                     | 3,641   | 2,507   | 3,231,526 |

#### (b) Financial assets measured at fair value through other comprehensive income

|   | Six months ended 30 June 2019 |         |         |           |
|---|-------------------------------|---------|---------|-----------|
|   | Stage 1                       | Stage 2 | Stage 3 | Total     |
| As at 1 January 2019                            | 1,683,441                     | -       | -       | 1,683,441 |
| Transfers:                                      |                               |         |         |           |
| Transfers in/(out) to Stage 1                   | -                             | -       | -       | -         |
| Transfers in/(out) to Stage 2                   | -                             | -       | -       | -         |
| Transfers in/(out) to Stage 3                   | -                             | -       | -       | -         |
| Newly originated or purchased financial assets  | 288,371                       | -       | -       | 288,371   |
| Financial assets derecognised during the period | (205,227)                     | -       | -       | (205,227) |
| Foreign exchange and other movements            | (1,716)                       | -       | -       | (1,716)   |
| As at 30 June 2019                              | 1,764,869                     | -       | -       | 1,764,869 |
|   | 2018                          |         |         |           |
|   | Stage 1                       | Stage 2 | Stage 3 | Total     |
| As at 1 January 2018                            | 1,280,486                     | -       | -       | 1,280,486 |
| Transfers:                                      |                               |         |         |           |
| Transfers in/(out) to Stage 1                   | -                             | -       | -       | -         |
| Transfers in/(out) to Stage 2                   | -                             | -       | -       | -         |
| Transfers in/(out) to Stage 3                   | -                             | -       | -       | -         |
| Newly originated or purchased financial assets  | 829,334                       | -       | -       | 829,334   |
| Financial assets derecognised during the year   | (433,457)                     | -       | -       | (433,457) |
| Foreign exchange and other movements            | 7,078                         | -       | -       | 7,078     |
| As at 31 December 2018                          | 1,683,441                     | -       | -       | 1,683,441 |

## 21 Financial investments (continued)

### (3) Movements of allowances for impairment losses

#### (a) Financial assets measured at amortised cost

|   | Note | Six months ended 30 June 2019 |         |         |       |
|---|------|-------------------------------|---------|---------|-------|
|   |      | Stage 1                       | Stage 2 | Stage 3 | Total |
| As at 1 January 2019                            |      | 5,171                         | 509     | 1,155   | 6,835 |
| Transfers:                                      |      |                               |         |         |       |
| Transfers in/(out) to Stage 1                   |      | -                             | -       | -       | -     |
| Transfers in/(out) to Stage 2                   |      | (19)                          | 19      | -       | -     |
| Transfers in/(out) to Stage 3                   |      | (11)                          | (298)   | 309     | -     |
| Newly originated or purchased financial assets  |      | 1,467                         | -       | -       | 1,467 |
| Financial assets derecognised during the period |      | (911)                         | (6)     | -       | (917) |
| Remeasurements                                  | (i)  | (34)                          | (6)     | 801     | 761   |
| Foreign exchange and other movements            |      | 18                            | -       | (1)     | 17    |
| As at 30 June 2019                              |      | 5,681                         | 218     | 2,264   | 8,163 |

  

|  | Note | 2018    |         |         |       |
|--|------|---------|---------|---------|-------|
|  |      | Stage 1 | Stage 2 | Stage 3 | Total |
| As at 1 January 2018                           |      | 4,049   | 83      | 523     | 4,655 |
| Transfers:                                     |      |         |         |         |       |
| Transfers in/(out) to Stage 1                  |      | -       | -       | -       | -     |
| Transfers in/(out) to Stage 2                  |      | (342)   | 342     | -       | -     |
| Transfers in/(out) to Stage 3                  |      | (345)   | -       | 345     | -     |
| Newly originated or purchased financial assets |      | 1,166   | -       | -       | 1,166 |
| Financial assets derecognised during the year  |      | (691)   | (64)    | (27)    | (782) |
| Remeasurements                                 | (i)  | 359     | 77      | 252     | 688   |
| Foreign exchange and other movements           |      | 975     | 71      | 62      | 1,108 |
| As at 31 December 2018                         |      | 5,171   | 509     | 1,155   | 6,835 |

## 21 Financial investments (continued)

### (3) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income

|   | Note | Six months ended 30 June 2019 |         |         |       |
|---|------|-------------------------------|---------|---------|-------|
|   |      | Stage 1                       | Stage 2 | Stage 3 | Total |
| As at 1 January 2019                            |      | 2,090                         | –       | –       | 2,090 |
| Transfers:                                      |      |                               |         |         |       |
| Transfers in/(out) to Stage 1                   |      | –                             | –       | –       | –     |
| Transfers in/(out) to Stage 2                   |      | –                             | –       | –       | –     |
| Transfers in/(out) to Stage 3                   |      | –                             | –       | –       | –     |
| Newly originated or purchased financial assets  |      | 2,027                         | –       | –       | 2,027 |
| Financial assets derecognised during the period |      | (314)                         | –       | –       | (314) |
| Remeasurements                                  | (i)  | (52)                          | –       | –       | (52)  |
| Foreign exchange and other movements            |      | (7)                           | –       | –       | (7)   |
| As at 30 June 2019                              |      | 3,744                         | –       | –       | 3,744 |

  

|  | Note | 2018    |         |         |       |
|--|------|---------|---------|---------|-------|
|  |      | Stage 1 | Stage 2 | Stage 3 | Total |
| As at 1 January 2018                           |      | 2,139   | –       | –       | 2,139 |
| Transfers:                                     |      |         |         |         |       |
| Transfers in/(out) to Stage 1                  |      | –       | –       | –       | –     |
| Transfers in/(out) to Stage 2                  |      | –       | –       | –       | –     |
| Transfers in/(out) to Stage 3                  |      | –       | –       | –       | –     |
| Newly originated or purchased financial assets |      | 501     | –       | –       | 501   |
| Financial assets derecognised during the year  |      | (182)   | –       | –       | (182) |
| Remeasurements                                 | (i)  | (303)   | –       | –       | (303) |
| Foreign exchange and other movements           |      | (65)    | –       | –       | (65)  |
| As at 31 December 2018                         |      | 2,090   | –       | –       | 2,090 |

(i) Remeasurements mainly comprise the impact of changes in probability of default, loss given default and exposure at default, credit loss changes due to stage-transfer.

## 22 Long-term equity investments

### (1) Investments in subsidiaries

#### (a) Investment cost

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| CCB Wealth Management Co., Ltd. ("CCB Wealth Management")          | 15,000       | –                |
| CCB Financial Asset Investment Co., Ltd. ("CCBFI")                 | 12,000       | 12,000           |
| CCB Brasil Financial Holding – Investimentos e Participações Ltda. | 9,542        | 9,542            |
| CCB Financial Leasing Co., Ltd. ("CCBFLCL")                        | 8,163        | 8,163            |
| CCB Life Insurance Company Limited ("CCB Life")                    | 3,902        | 3,902            |
| CCB Trust Co., Ltd. ("CCB Trust")                                  | 3,409        | 3,409            |
| China Construction Bank (London) Limited ("CCB London")            | 2,861        | 2,861            |
| CCB Pension Management Co., Ltd. ("CCB Pension")                   | 1,955        | 1,955            |
| China Construction Bank (Europe) S.A. ("CCB Europe")               | 1,629        | 1,629            |
| Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")    | 1,502        | 1,502            |
| PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")    | 1,340        | 1,340            |
| China Construction Bank (Malaysia) Berhad ("CCB Malaysia")         | 1,334        | 1,334            |
| China Construction Bank (New Zealand) Limited ("CCB New Zealand")  | 976          | 976              |
| China Construction Bank (Russia) Limited ("CCB Russia")            | 851          | 851              |
| Golden Fountain Finance Limited ("Golden Fountain")                | 676          | 676              |
| CCB Principal Asset Management Co., Ltd. ("CCB Principal")         | 130          | 130              |
| CCB International Group Holdings Limited ("CCBIG")                 | –            | –                |
| Total  | 65,270       | 50,270           |

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

| Name of company  | Principal place of business | Particulars of issued and paid-up capital | Principal activities | % of ownership directly held by the Bank | % of ownership indirectly held by the Bank | % of voting rights held by the Bank | Method of investment |
|--|-----------------------------|---|----------------------|--|--|-------------------------------------|----------------------|
| CCB Wealth Management  | Shenzhen, the PRC           | RMB15,000 million                         | Wealth management    | 100%                                     | –  | 100%                                | Establishment        |
| CCBFI  | Beijing, the PRC            | RMB12,000 million                         | Investment           | 100%                                     | –  | 100%                                | Establishment        |
| CCB Brasil Financial Holding – Investimentos e Participações Ltda. | Sao Paulo, Brasil           | R\$4,281 million                          | Investment           | 99.99%                                   | 0.01%                                      | 100%                                | Acquisition          |
| CCBFLCL  | Beijing, the PRC            | RMB8,000 million                          | Financial leasing    | 100%                                     | –  | 100%                                | Establishment        |
| CCB Life   | Shanghai, the PRC           | RMB4,496 million                          | Insurance            | 51%                                      | –  | 51%                                 | Acquisition          |
| CCB Trust  | Anhui, the PRC              | RMB1,527 million                          | Trust business       | 67%                                      | –  | 67%                                 | Acquisition          |
| CCB London   | London, United Kingdom      | US\$200 million<br>RMB1,500 million       | Commercial banking   | 100%                                     | –  | 100%                                | Establishment        |
| CCB Pension  | Beijing, the PRC            | RMB2,300 million                          | Pension management   | 85%                                      | –  | 85%                                 | Establishment        |
| CCB Europe   | Luxembourg                  | EUR200 million                            | Commercial banking   | 100%                                     | –  | 100%                                | Establishment        |

## 22 Long-term equity investments (continued)

### (1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows: (continued)

| Name of company  | Principal place of business | Particulars of issued and paid-up capital | Principal activities     | % of ownership directly held by the Bank | % of ownership indirectly held by the Bank | % of voting rights held by the Bank | Method of investment |
|--|-----------------------------|---|--------------------------|--|--|-------------------------------------|----------------------|
| Sino-German Bausparkasse   | Tianjin, the PRC            | RMB2,000 million                          | House savings            | 75.10%                                   | –  | 75.10%                              | Establishment        |
| CCB Indonesia  | Jakarta, Indonesia          | IDR1,663,146 million                      | Commercial banking       | 60%                                      | –  | 60%                                 | Acquisition          |
| CCB Malaysia   | Kuala Lumpur, Malaysia      | MYR823 million                            | Commercial banking       | 100%                                     | –  | 100%                                | Establishment        |
| CCB New Zealand  | Auckland, New Zealand       | NZD199 million                            | Commercial banking       | 100%                                     | –  | 100%                                | Establishment        |
| CCB Russia   | Moscow, Russia              | RUB4,200 million                          | Commercial banking       | 100%                                     | –  | 100%                                | Establishment        |
| Golden Fountain  | British Virgin Islands      | US\$50,000                                | Investment               | 100%                                     | –  | 100%                                | Acquisition          |
| CCB Principal  | Beijing, the PRC            | RMB200 million                            | Fund management services | 65%                                      | –  | 65%                                 | Establishment        |
| CCBIG  | Hong Kong, the PRC          | HK\$1                                     | Investment               | 100%                                     | –  | 100%                                | Establishment        |
| CCB International (Holdings) Limited ("CCBI")                      | Hong Kong, the PRC          | US\$601 million                           | Investment               | –  | 100%                                       | 100%                                | Acquisition          |
| China Construction Bank (Asia) Corporation Limited ("CCB Asia")    | Hong Kong, the PRC          | HK\$6,511 million<br>RMB17,600 million    | Commercial banking       | –  | 100%                                       | 100%                                | Acquisition          |
| China Construction Bank (Brasil) Banco Múltiplo S/A ("CCB Brasil") | Sao Paulo, Brasil           | R\$2,957 million                          | Commercial banking       | –  | 100%                                       | 100%                                | Acquisition          |

(c) As at 30 June 2019, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

## 22 Long-term equity investments (continued)

### (2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

|  | Six months ended<br>30 June 2019 | 2018  |
|--|----------------------------------|-------|
| As at 1 January                          | 8,002                            | 7,067 |
| Acquisition during the period/year       | 2,604                            | 1,352 |
| Disposal during the period/year          | (186)                            | (252) |
| Share of profits                         | 128                              | 140   |
| Cash dividend receivable                 | (113)                            | (202) |
| Effect of exchange difference and others | (11)                             | (103) |
| As at 30 June/31 December                | 10,424                           | 8,002 |

(b) Details of the interests in major associates and joint ventures are as follows:

| Name of Company   | Principal place of business | Particulars of issued and paid-up capital | Principal activities                 | % of ownership held | % of voting held | Total assets at period end | Total liabilities at period end | Revenue for the period | Net profit for the period |
|---|-----------------------------|---|--------------------------------------|---------------------|------------------|----------------------------|---------------------------------|------------------------|---------------------------|
| CCB Gold Investment Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership) | Tianjin, the PRC            | RMB2,300 million                          | Equity investment                    | 48.57%              | 40.00%           | 2,300                      | -                               | -                      | -                         |
| Diamond String Limited  | Hong Kong, the PRC          | HK \$10,000                               | Property investment                  | 50.00%              | 50.00%           | 1,674                      | 1,601                           | 121                    | 52                        |
| Guoxin Jianxin Equity Investment Fund (Chengdu) Partnership (Limited Partnership)                     | Chengdu, the PRC            | RMB1,614 million                          | Equity investment                    | 50.00%              | 50.00%           | 1,524                      | -                               | -                      | (90)                      |
| Guangdong SOE Reorganization Development Fund (Limited Partnership)                                   | Zhuhai, the PRC             | RMB720 million                            | Investment management and consulting | 49.67%              | 33.00%           | 716                        | -                               | 2                      | -                         |
| Minmetals Yuanding Equity Investment Fund (Ningbo) Partnership (Limited Partnership)                  | Ningbo, the PRC             | RMB1,098 million                          | Investment management and consulting | 43.48%              | 16.67%           | 1,110                      | -                               | 19                     | 16                        |



## 23 Structured entities

### (1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, etc. which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 30 June 2019 and 31 December 2018, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

|  | 30 June 2019   | 31 December 2018 |
|--|----------------|------------------|
| Financial investments  |                |                  |
| Financial assets measured at fair value through profit or loss             | 72,882         | 68,499           |
| Financial assets measured at amortised cost                                | 63,254         | 54,884           |
| Financial assets measured at fair value through other comprehensive income | 828            | 896              |
| Interests in associates and joint ventures                                 | 6,666          | 4,196            |
| Other assets   | 3,126          | 3,510            |
| Total  | <b>146,756</b> | 131,985          |

For the six months ended 30 June 2019 and 2018, the income from these unconsolidated structured entities held by the Group was as follows:

|   | Six months ended 30 June |        |
|---|--------------------------|--------|
|   | 2019                     | 2018   |
| Interest income                                   | 1,761                    | 1,758  |
| Fee and commission income                         | 8,084                    | 6,870  |
| Net trading loss                                  | (134)                    | (8)    |
| Dividend income                                   | 1,084                    | 208    |
| Net gain arising from investment securities       | 1,349                    | 1,343  |
| Share of profits of associates and joint ventures | 63                       | 44     |
| Total   | <b>12,207</b>            | 10,215 |

As at 30 June 2019, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,806,123 million (as at 31 December 2018: RMB1,841,018 million) and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB3,268,260 million (as at 31 December 2018: RMB3,334,455 million). For the six months ended 30 June 2019, there were financial assets held under resale agreements between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions was not material to the Group.

### (2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products (Note 21(1)(a)(iv)) and certain asset management plans and trust plans, etc.

## 24 Fixed assets

|   | Bank premises | Construction in progress | Equipment | Aircraft and vessels | Others   | Total     |
|---|---------------|--------------------------|-----------|----------------------|----------|-----------|
| <b>Cost/Deemed cost</b>                           |               |                          |           |                      |          |           |
| As at 1 January 2019                              | 133,478       | 19,714                   | 55,118    | 25,561               | 45,851   | 279,722   |
| Additions   | 259           | 2,553                    | 723       | 398                  | 478      | 4,411     |
| Transfer in/(out)                                 | 501           | (2,082)                  | –         | 979                  | 602      | –         |
| Other movements                                   | (41)          | (338)                    | (1,016)   | 17                   | (829)    | (2,207)   |
| As at 30 June 2019                                | 134,197       | 19,847                   | 54,825    | 26,955               | 46,102   | 281,926   |
| <b>Accumulated depreciation</b>                   |               |                          |           |                      |          |           |
| As at 1 January 2019                              | (38,948)      | –                        | (37,362)  | (3,408)              | (30,006) | (109,724) |
| Charge for the period                             | (2,273)       | –                        | (2,844)   | (625)                | (2,181)  | (7,923)   |
| Other movements                                   | 14            | –                        | 974       | (10)                 | 752      | 1,730     |
| As at 30 June 2019                                | (41,207)      | –                        | (39,232)  | (4,043)              | (31,435) | (115,917) |
| <b>Allowances for impairment losses (Note 30)</b> |               |                          |           |                      |          |           |
| As at 1 January 2019                              | (406)         | (1)                      | –         | (14)                 | (3)      | (424)     |
| Charge for the period                             | –             | –                        | –         | (24)                 | –        | (24)      |
| Other movements                                   | –             | –                        | –         | –                    | –        | –         |
| As at 30 June 2019                                | (406)         | (1)                      | –         | (38)                 | (3)      | (448)     |
| <b>Net carrying value</b>                         |               |                          |           |                      |          |           |
| As at 1 January 2019                              | 94,124        | 19,713                   | 17,756    | 22,139               | 15,842   | 169,574   |
| As at 30 June 2019                                | 92,584        | 19,846                   | 15,593    | 22,874               | 14,664   | 165,561   |

|   | Bank premises | Construction in progress | Equipment | Aircraft and vessels | Others   | Total     |
|---|---------------|--------------------------|-----------|----------------------|----------|-----------|
| <b>Cost/Deemed cost</b>                           |               |                          |           |                      |          |           |
| As at 1 January 2018                              | 122,870       | 26,646                   | 54,989    | 22,855               | 43,636   | 270,996   |
| Additions   | 1,205         | 6,651                    | 5,104     | 2,502                | 2,476    | 17,938    |
| Transfer in/(out)                                 | 9,745         | (12,386)                 | 82        | –                    | 2,559    | –         |
| Other movements                                   | (342)         | (1,197)                  | (5,057)   | 204                  | (2,820)  | (9,212)   |
| As at 31 December 2018                            | 133,478       | 19,714                   | 55,118    | 25,561               | 45,851   | 279,722   |
| <b>Accumulated depreciation</b>                   |               |                          |           |                      |          |           |
| As at 1 January 2018                              | (34,156)      | –                        | (36,351)  | (2,250)              | (28,141) | (100,898) |
| Charge for the year                               | (4,964)       | –                        | (5,904)   | (1,271)              | (4,579)  | (16,718)  |
| Other movements                                   | 172           | –                        | 4,893     | 113                  | 2,714    | 7,892     |
| As at 31 December 2018                            | (38,948)      | –                        | (37,362)  | (3,408)              | (30,006) | (109,724) |
| <b>Allowances for impairment losses (Note 30)</b> |               |                          |           |                      |          |           |
| As at 1 January 2018                              | (415)         | –                        | –         | (1)                  | (3)      | (419)     |
| Charge for the year                               | –             | (1)                      | –         | (13)                 | –        | (14)      |
| Other movements                                   | 9             | –                        | –         | –                    | –        | 9         |
| As at 31 December 2018                            | (406)         | (1)                      | –         | (14)                 | (3)      | (424)     |
| <b>Net carrying value</b>                         |               |                          |           |                      |          |           |
| As at 1 January 2018                              | 88,299        | 26,646                   | 18,638    | 20,604               | 15,492   | 169,679   |
| As at 31 December 2018                            | 94,124        | 19,713                   | 17,756    | 22,139               | 15,842   | 169,574   |

Notes:

- Other movements include disposals of, retirements of and exchange differences on fixed assets.
- As at 30 June 2019, the ownership documentation for the Group's bank premises with a net carrying value of RMB15,758 million (as at 31 December 2018: RMB18,645 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

## 25 Land use rights

|   | Six months ended<br>30 June 2019 | 2018    |
|---|----------------------------------|---------|
| <b>Cost/Deemed cost</b>                           |                                  |         |
| As at 1 January                                   | 21,860                           | 21,495  |
| Additions   | 19                               | 444     |
| Disposals   | (26)                             | (79)    |
| As at 30 June/31 December                         | 21,853                           | 21,860  |
| <b>Amortisation</b>                               |                                  |         |
| As at 1 January                                   | (7,349)                          | (6,810) |
| Charge for the period/year                        | (250)                            | (565)   |
| Disposals   | 6                                | 26      |
| As at 30 June/31 December                         | (7,593)                          | (7,349) |
| <b>Allowances for impairment losses (Note 30)</b> |                                  |         |
| As at 1 January                                   | (138)                            | (140)   |
| Disposals   | 1                                | 2       |
| As at 30 June/31 December                         | (137)                            | (138)   |
| <b>Net carrying value</b>                         |                                  |         |
| As at 1 January                                   | 14,373                           | 14,545  |
| As at 30 June/31 December                         | 14,123                           | 14,373  |

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 29(2).

## 26 Intangible assets

|   | Software | Others | Total   |
|---|----------|--------|---------|
| <b>Cost/Deemed cost</b>                           |          |        |         |
| As at 1 January 2019                              | 9,914    | 1,272  | 11,186  |
| Additions   | 522      | 48     | 570     |
| Disposals   | (5)      | (47)   | (52)    |
| As at 30 June 2019                                | 10,431   | 1,273  | 11,704  |
| <b>Amortisation</b>                               |          |        |         |
| As at 1 January 2019                              | (7,154)  | (402)  | (7,556) |
| Charge for the period                             | (440)    | (87)   | (527)   |
| Disposals   | 5        | 14     | 19      |
| As at 30 June 2019                                | (7,589)  | (475)  | (8,064) |
| <b>Allowances for impairment losses (Note 30)</b> |          |        |         |
| As at 1 January 2019                              | -        | (8)    | (8)     |
| Additions   | -        | -      | -       |
| Disposals   | -        | -      | -       |
| As at 30 June 2019                                | -        | (8)    | (8)     |
| <b>Net carrying value</b>                         |          |        |         |
| As at 1 January 2019                              | 2,760    | 862    | 3,622   |
| As at 30 June 2019                                | 2,842    | 790    | 3,632   |

## 26 Intangible assets (continued)

|   | Software | Others | Total   |
|---|----------|--------|---------|
| <b>Cost/Deemed cost</b>                           |          |        |         |
| As at 1 January 2018                              | 8,424    | 1,211  | 9,635   |
| Additions   | 1,519    | 214    | 1,733   |
| Disposals   | (29)     | (153)  | (182)   |
| As at 31 December 2018                            | 9,914    | 1,272  | 11,186  |
| <b>Amortisation</b>                               |          |        |         |
| As at 1 January 2018                              | (6,429)  | (446)  | (6,875) |
| Charge for the year                               | (754)    | (57)   | (811)   |
| Disposals   | 29       | 101    | 130     |
| As at 31 December 2018                            | (7,154)  | (402)  | (7,556) |
| <b>Allowances for impairment losses (Note 30)</b> |          |        |         |
| As at 1 January 2018                              | –        | (8)    | (8)     |
| Additions   | –        | –      | –       |
| Disposals   | –        | –      | –       |
| As at 31 December 2018                            | –        | (8)    | (8)     |
| <b>Net carrying value</b>                         |          |        |         |
| As at 1 January 2018                              | 1,995    | 757    | 2,752   |
| As at 31 December 2018                            | 2,760    | 862    | 3,622   |

## 27 Goodwill

- (1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movement of the goodwill is as follows:

|                               | Six months ended<br>30 June 2019 | 2018  |
|-------------------------------|----------------------------------|-------|
| As at 1 January               | 2,766                            | 2,751 |
| Effect of exchange difference | 14                               | 15    |
| As at 30 June/31 December     | 2,780                            | 2,766 |

### (2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

No impairment losses on goodwill of the Group were recognised as at 30 June 2019 (as at 31 December 2018: nil).

## 28 Deferred tax

|                          | 30 June 2019 | 31 December 2018 |
|--------------------------|--------------|------------------|
| Deferred tax assets      | 63,730       | 58,730           |
| Deferred tax liabilities | (390)        | (485)            |
| Total                    | 63,340       | 58,245           |

### (1) Analysed by nature

|                                    | 30 June 2019   |  | 31 December 2018                                     |  |
|------------------------------------|--|--|--|--|
|                                    | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred tax<br>assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred tax<br>assets/<br>(liabilities) |
| Deferred tax assets                |  |  |  |  |
| – Fair value adjustments           | (23,892)   | (6,104)                                  | (25,347)   | (6,464)                                  |
| – Allowances for impairment losses | 290,205  | 72,276                                   | 260,308  | 64,823                                   |
| – Accrued salaries                 | 12,147   | 2,994                                    | 21,265   | 5,276                                    |
| – Others                           | (21,829)   | (5,436)                                  | (20,363)   | (4,905)                                  |
| Total                              | 256,631  | 63,730                                   | 235,863  | 58,730                                   |
| Deferred tax liabilities           |  |  |  |  |
| – Fair value adjustments           | (868)  | (104)                                    | (1,271)  | (193)                                    |
| – Others                           | (1,771)  | (286)                                    | (1,751)  | (292)                                    |
| Total                              | (2,639)  | (390)                                    | (3,022)  | (485)                                    |

### (2) Movements of deferred tax

|  | Fair value<br>adjustments | Allowances<br>for impairment<br>losses | Accrued<br>salaries | Others  | Total    |
|--|---------------------------|--|---------------------|---------|----------|
| As at 1 January 2019                     | (6,657)                   | 64,823                                 | 5,276               | (5,197) | 58,245   |
| Recognised in profit or loss             | 802                       | 7,453                                  | (2,282)             | (525)   | 5,448    |
| Recognised in other comprehensive income | (353)                     | –                                      | –                   | –       | (353)    |
| As at 30 June 2019                       | (6,208)                   | 72,276                                 | 2,994               | (5,722) | 63,340   |
| As at 1 January 2018                     | 5,332                     | 46,906                                 | 5,814               | (5,856) | 52,196   |
| Recognised in profit or loss             | 31                        | 17,917                                 | (538)               | 659     | 18,069   |
| Recognised in other comprehensive income | (12,020)                  | –                                      | –                   | –       | (12,020) |
| As at 31 December 2018                   | (6,657)                   | 64,823                                 | 5,276               | (5,197) | 58,245   |

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

## 29 Other assets

|   | Note | 30 June 2019 | 31 December 2018 |
|---|------|--------------|------------------|
| Repossessed assets  | (1)  |              |                  |
| – Buildings   |      | 1,710        | 1,721            |
| – Land use rights   |      | 463          | 624              |
| – Others  |      | 795          | 765              |
|   |      | <b>2,968</b> | 3,110            |
| Clearing and settlement accounts  |      | 22,307       | 18,517           |
| Right-of-use assets   | (2)  | 22,063       | N/A              |
| Fee and commission receivables  |      | 16,865       | 11,305           |
| Policyholder account assets and accounts receivable of insurance business |      | 3,819        | 6,318            |
| Leasehold improvements  |      | 3,158        | 3,196            |
| Deferred expenses   |      | 1,428        | 3,232            |
| Others  |      | 120,087      | 87,633           |
| Gross balance   |      | 192,695      | 133,311          |
| Allowances for impairment losses (Note 30)                                |      |              |                  |
| – Repossessed assets  |      | (1,140)      | (1,165)          |
| – Others  |      | (2,767)      | (2,772)          |
| Net balance   |      | 188,788      | 129,374          |

(1) For the six months ended 30 June 2019, the original cost of repossessed assets disposed of by the Group amounted to RMB210 million (for the six months ended 30 June 2018: RMB240 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Right-of-use assets

|                                 | Bank premises | Others | Total   |
|---------------------------------|---------------|--------|---------|
| <b>Cost</b>                     |               |        |         |
| As at 1 January 2019            | 21,686        | 66     | 21,752  |
| Additions                       | 3,356         | 38     | 3,394   |
| Other movements                 | (126)         | –      | (126)   |
| As at 30 June 2019              | 24,916        | 104    | 25,020  |
| <b>Accumulated depreciation</b> |               |        |         |
| As at 1 January 2019            | –             | –      | –       |
| Charge for the period           | (2,945)       | (16)   | (2,961) |
| Other movements                 | 4             | –      | 4       |
| As at 30 June 2019              | (2,941)       | (16)   | (2,957) |
| <b>Net carrying value</b>       |               |        |         |
| As at 1 January 2019            | 21,686        | 66     | 21,752  |
| As at 30 June 2019              | 21,975        | 88     | 22,063  |

The Group's right-of-use assets include the above assets and land use rights disclosed in note 25.

### 30 Movements of allowances for impairment losses

|   |          | Six months ended 30 June 2019 |   |                      |                 |                  |
|---|----------|-------------------------------|---|----------------------|-----------------|------------------|
|   | Note     | As at<br>1 January            | (Reversal)/<br>charge for the<br>period | Transfer<br>(out)/in | Write-off       | As at<br>30 June |
| Deposits with banks and non-bank financial institutions   | 16       | 230                           | (73)                                    | -                    | -               | 157              |
| Precious metals   |          | 72                            | (3)                                     | -                    | -               | 69               |
| Placements with banks and non-bank financial institutions | 17       | 114                           | 61                                      | (6)                  | -               | 169              |
| Financial assets held under resale agreements             | 19       | 44                            | (9)                                     | -                    | -               | 35               |
| Loans and advances to customers                           | 20       | 417,623                       | 69,620                                  | (9,359)              | (25,341)        | 452,543          |
| Financial assets measured at amortised cost               | 21(3)(a) | 6,835                         | 1,311                                   | 17                   | -               | 8,163            |
| Long-term equity investments                              | 22       | 41                            | -                                       | -                    | -               | 41               |
| Fixed assets  | 24       | 424                           | 24                                      | -                    | -               | 448              |
| Land use rights   | 25       | 138                           | -                                       | -                    | (1)             | 137              |
| Intangible assets   | 26       | 8                             | -                                       | -                    | -               | 8                |
| Other assets  | 29       | 3,937                         | 604                                     | -                    | (634)           | 3,907            |
| <b>Total</b>  |          | <b>429,466</b>                | <b>71,535</b>                           | <b>(9,348)</b>       | <b>(25,976)</b> | <b>465,677</b>   |

  

|   |          | 2018               |                        |                      |                 |                      |
|---|----------|--------------------|------------------------|----------------------|-----------------|----------------------|
|   | Note     | As at<br>1 January | Charge for<br>the year | Transfer<br>(out)/in | Write-off       | As at<br>31 December |
| Deposits with banks and non-bank financial institutions   | 16       | 129                | 107                    | -                    | (6)             | 230                  |
| Precious metals   |          | 41                 | 31                     | -                    | -               | 72                   |
| Placements with banks and non-bank financial institutions | 17       | 115                | 13                     | (14)                 | -               | 114                  |
| Financial assets held under resale agreements             | 19       | 15                 | 29                     | -                    | -               | 44                   |
| Loans and advances to customers                           | 20       | 343,802            | 142,595                | (24,895)             | (43,879)        | 417,623              |
| Financial assets measured at amortised cost               | 21(3)(a) | 4,655              | 1,072                  | 1,108                | -               | 6,835                |
| Long-term equity investments                              | 22       | -                  | 41                     | -                    | -               | 41                   |
| Fixed assets  | 24       | 419                | 14                     | -                    | (9)             | 424                  |
| Land use rights   | 25       | 140                | -                      | -                    | (2)             | 138                  |
| Intangible assets   | 26       | 8                  | -                      | -                    | -               | 8                    |
| Other assets  | 29       | 4,022              | 1,509                  | -                    | (1,594)         | 3,937                |
| <b>Total</b>  |          | <b>353,346</b>     | <b>145,411</b>         | <b>(23,801)</b>      | <b>(45,490)</b> | <b>429,466</b>       |

Transfer in/(out) includes exchange differences.

### 31 Borrowings from central banks

|                  | 30 June 2019   | 31 December 2018 |
|------------------|----------------|------------------|
| Mainland China   | 375,004        | 495,004          |
| Overseas         | 64,390         | 50,441           |
| Accrued interest | 7,375          | 8,947            |
| <b>Total</b>     | <b>446,769</b> | <b>554,392</b>   |

### 32 Deposits from banks and non-bank financial institutions

#### (1) Analysed by type of counterparties

|                                 | 30 June 2019 | 31 December 2018 |
|---------------------------------|--------------|------------------|
| Banks                           | 162,100      | 161,393          |
| Non-bank financial institutions | 1,279,262    | 1,257,303        |
| Accrued interest                | 11,048       | 8,780            |
| Total                           | 1,452,410    | 1,427,476        |

#### (2) Analysed by geographical sectors

|                  | 30 June 2019 | 31 December 2018 |
|------------------|--------------|------------------|
| Mainland China   | 1,289,454    | 1,277,120        |
| Overseas         | 151,908      | 141,576          |
| Accrued interest | 11,048       | 8,780            |
| Total            | 1,452,410    | 1,427,476        |

### 33 Placements from banks and non-bank financial institutions

#### (1) Analysed by type of counterparties

|                                 | 30 June 2019 | 31 December 2018 |
|---------------------------------|--------------|------------------|
| Banks                           | 417,294      | 379,785          |
| Non-bank financial institutions | 22,008       | 38,259           |
| Accrued interest                | 2,646        | 2,177            |
| Total                           | 441,948      | 420,221          |

#### (2) Analysed by geographical sectors

|                  | 30 June 2019 | 31 December 2018 |
|------------------|--------------|------------------|
| Mainland China   | 196,221      | 130,596          |
| Overseas         | 243,081      | 287,448          |
| Accrued interest | 2,646        | 2,177            |
| Total            | 441,948      | 420,221          |



## Notes to the Financial Statements

(Expressed in millions of RMB, unless otherwise stated)

### 34 Financial liabilities measured at fair value through profit or loss

|  | 30 June 2019   | 31 December 2018 |
|--|----------------|------------------|
| Principal guaranteed wealth management products  | 233,989        | 351,369          |
| Financial liabilities related to precious metals | 32,349         | 37,832           |
| Structured financial instruments                 | 35,162         | 42,133           |
| Total  | <b>301,500</b> | 431,334          |

The Group's financial liabilities measured at fair value through profit or loss are those designated as measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period and the year presented and cumulatively as at 30 June 2019 and 31 December 2018.

### 35 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

|   | 30 June 2019  | 31 December 2018 |
|---|---------------|------------------|
| Debt securities   |               |                  |
| – Government bonds  | 24,036        | 20,473           |
| – Debt securities issued by policy banks, banks and non-bank financial institutions | 6,286         | 3,569            |
| – Corporate bonds   | 24            | 29               |
| Subtotal  | <b>30,346</b> | 24,071           |
| Discounted bills  | 773           | 765              |
| Others  | 3,984         | 5,774            |
| Accrued interest  | 61            | 155              |
| Total   | <b>35,164</b> | 30,765           |

## 36 Deposits from customers

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

Deposits from customers include:

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

### 37 Accrued staff costs

|   | Note | Six months ended 30 June 2019 |               |                 | As at<br>30 June |
|---|------|-------------------------------|---------------|-----------------|------------------|
|   |      | As at<br>1 January            | Increased     | Decreased       |                  |
| Salaries, bonuses, allowances and subsidies                             |      | 23,773                        | 31,660        | (36,374)        | 19,059           |
| Other social insurance and welfare                                      |      | 4,682                         | 4,234         | (4,946)         | 3,970            |
| Housing funds   |      | 182                           | 3,024         | (3,052)         | 154              |
| Union running costs and employee education costs                        |      | 3,531                         | 2,056         | (761)           | 4,826            |
| Post-employment benefits  | (1)  |                               |               |                 |                  |
| – Defined contribution plans  |      | 2,681                         | 6,299         | (6,594)         | 2,386            |
| – Defined benefit plans   |      | (158)                         | 1             | (113)           | (270)            |
| Early retirement benefits   |      | 1,520                         | 22            | (86)            | 1,456            |
| Compensation to employees for termination<br>of employment relationship |      | 2                             | 2             | (4)             | –                |
| <b>Total</b>  |      | <b>36,213</b>                 | <b>47,298</b> | <b>(51,930)</b> | <b>31,581</b>    |

  

|   | Note | 2018               |                |                 | As at<br>31 December |
|---|------|--------------------|----------------|-----------------|----------------------|
|   |      | As at<br>1 January | Increased      | Decreased       |                      |
| Salaries, bonuses, allowances and subsidies                             |      | 23,628             | 66,788         | (66,643)        | 23,773               |
| Other social insurance and welfare                                      |      | 3,973              | 11,187         | (10,478)        | 4,682                |
| Housing funds   |      | 163                | 6,390          | (6,371)         | 182                  |
| Union running costs and employee education costs                        |      | 2,738              | 2,820          | (2,027)         | 3,531                |
| Post-employment benefits  | (1)  |                    |                |                 |                      |
| – Defined contribution plans  |      | 893                | 14,850         | (13,062)        | 2,681                |
| – Defined benefit plans   |      | (440)              | 326            | (44)            | (158)                |
| Early retirement benefits   |      | 1,674              | 52             | (206)           | 1,520                |
| Compensation to employees for termination of employment<br>relationship |      | 3                  | 2              | (3)             | 2                    |
| <b>Total</b>  |      | <b>32,632</b>      | <b>102,415</b> | <b>(98,834)</b> | <b>36,213</b>        |

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

#### (1) Post-employment benefits

##### (a) Defined contribution plans

|                         | Six months ended 30 June 2019 |              |                | As at<br>30 June |
|-------------------------|-------------------------------|--------------|----------------|------------------|
|                         | As at<br>1 January            | Increased    | Decreased      |                  |
| Basic pension insurance | 761                           | 4,617        | (4,851)        | 527              |
| Unemployment insurance  | 39                            | 147          | (147)          | 39               |
| Annuity contribution    | 1,881                         | 1,535        | (1,596)        | 1,820            |
| <b>Total</b>            | <b>2,681</b>                  | <b>6,299</b> | <b>(6,594)</b> | <b>2,386</b>     |

  

|                         | 2018               |               |                 | As at<br>31 December |
|-------------------------|--------------------|---------------|-----------------|----------------------|
|                         | As at<br>1 January | Increased     | Decreased       |                      |
| Basic pension insurance | 589                | 9,896         | (9,724)         | 761                  |
| Unemployment insurance  | 37                 | 298           | (296)           | 39                   |
| Annuity contribution    | 267                | 4,656         | (3,042)         | 1,881                |
| <b>Total</b>            | <b>893</b>         | <b>14,850</b> | <b>(13,062)</b> | <b>2,681</b>         |

### 37 Accrued staff costs (continued)

#### (1) Post-employment benefits (continued)

##### (b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd.

|   | Present value of defined benefit plan obligations |       | Fair value of plan assets        |       | Net liabilities/(assets) of defined benefit plans |       |
|---|---|-------|----------------------------------|-------|---|-------|
|   | Six months ended<br>30 June 2019                  | 2018  | Six months ended<br>30 June 2019 | 2018  | Six months ended<br>30 June 2019                  | 2018  |
| As at 1 January   | 6,139   | 6,197 | 6,297                            | 6,637 | (158)   | (440) |
| Cost of the net defined benefit liability in profit or loss                   |   |       |                                  |       |   |       |
| – Interest costs  | 96  | 221   | 98                               | 235   | (2)   | (14)  |
| Remeasurements of the defined benefit liability in other comprehensive income |   |       |                                  |       |   |       |
| – Actuarial losses  | 1   | 326   | –                                | –     | 1   | 326   |
| – Returns on plan assets  | –   | –     | 111                              | 30    | (111)   | (30)  |
| Other changes   |   |       |                                  |       |   |       |
| – Benefits paid   | (289)   | (605) | (289)                            | (605) | –   | –     |
| As at 30 June/31 December   | 5,947   | 6,139 | 6,217                            | 6,297 | (270)   | (158) |

Interest cost was recognised in operating expenses.

##### (i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Discount rate  | 3.25%        | 3.25%            |
| Health care cost increase rate                         | 7.00%        | 7.00%            |
| Average expected future lifetime of eligible employees | 11.7 years   | 12.0 years       |

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

##### (ii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

|                                | Impact on present value of supplementary retirement benefit obligations |                                 |
|--------------------------------|---|---------------------------------|
|                                | Increase in assumption by 0.25%   | Decrease in assumption by 0.25% |
| Discount rate                  | (117)   | 122                             |
| Health care cost increase rate | 46  | (44)                            |

##### (iii) As at 30 June 2019, the weighted average duration of supplementary retirement benefit obligations of the Group was 8.0 years (as at 31 December 2018: 8.2 years).

##### (iv) Plan assets of the Group are as follows:

|                           | 30 June 2019 | 31 December 2018 |
|---------------------------|--------------|------------------|
| Cash and cash equivalents | 209          | 232              |
| Equity instruments        | 510          | 261              |
| Debt instruments          | 5,384        | 5,675            |
| Others                    | 114          | 129              |
| Total                     | 6,217        | 6,297            |

### 38 Taxes payable

|                 | 30 June 2019  | 31 December 2018 |
|-----------------|---------------|------------------|
| Income tax      | 42,988        | 66,670           |
| Value added tax | 9,828         | 8,986            |
| Others          | 1,606         | 2,227            |
| <b>Total</b>    | <b>54,422</b> | <b>77,883</b>    |

### 39 Provisions

|  | 30 June 2019  | 31 December 2018 |
|--|---------------|------------------|
| Expected credit losses on off-balance sheet business | 32,417        | 31,224           |
| Litigation provisions and others                     | 7,235         | 6,704            |
| <b>Total</b>   | <b>39,652</b> | <b>37,928</b>    |

Movements of the provision – expected credit losses on off-balance sheet business

|                               | Note | Six months ended 30 June 2019 |              |              |               |
|-------------------------------|------|-------------------------------|--------------|--------------|---------------|
|                               |      | Stage 1                       | Stage 2      | Stage 3      | Total         |
| As at 1 January 2019          |      | 22,344                        | 5,971        | 2,909        | 31,224        |
| Transfers:                    |      |                               |              |              |               |
| Transfers in/(out) to Stage 1 |      | 1,428                         | (1,428)      | –            | –             |
| Transfers in/(out) to Stage 2 |      | (364)                         | 369          | (5)          | –             |
| Transfers in/(out) to Stage 3 |      | (43)                          | (4)          | 47           | –             |
| Newly originated              |      | 13,035                        | –            | –            | 13,035        |
| Matured                       |      | (9,431)                       | (2,568)      | (1,214)      | (13,213)      |
| Remeasurements                | (a)  | (3,021)                       | 2,528        | 1,864        | 1,371         |
| <b>As at 30 June 2019</b>     |      | <b>23,948</b>                 | <b>4,868</b> | <b>3,601</b> | <b>32,417</b> |
|                               |      | 2018                          |              |              |               |
|                               | Note | Stage 1                       | Stage 2      | Stage 3      | Total         |
| As at 1 January 2018          |      | 19,523                        | 4,228        | 1,984        | 25,735        |
| Transfers:                    |      |                               |              |              |               |
| Transfers in/(out) to Stage 1 |      | 260                           | (260)        | –            | –             |
| Transfers in/(out) to Stage 2 |      | (147)                         | 147          | –            | –             |
| Transfers in/(out) to Stage 3 |      | (3)                           | (215)        | 218          | –             |
| Newly originated              |      | 18,361                        | –            | –            | 18,361        |
| Matured                       |      | (11,770)                      | (2,009)      | (215)        | (13,994)      |
| Remeasurements                | (a)  | (3,880)                       | 4,080        | 922          | 1,122         |
| <b>As at 31 December 2018</b> |      | <b>22,344</b>                 | <b>5,971</b> | <b>2,909</b> | <b>31,224</b> |

(a) Remeasurements comprise the impact of changes in PD, LGD or EAD; changes in model assumptions and methodology; credit loss changes due to stage-transfer; and the impact of exchange rate changes.

## 40 Debt securities issued

|                                      | Note | 30 June 2019 | 31 December 2018 |
|--------------------------------------|------|--------------|------------------|
| Certificates of deposit issued       | (1)  | 392,884      | 371,583          |
| Bonds issued                         | (2)  | 113,396      | 111,447          |
| Subordinated bonds issued            | (3)  | 117,127      | 145,169          |
| Eligible Tier 2 capital bonds issued | (4)  | 155,339      | 142,681          |
| Accrued interest                     |      | 10,612       | 4,905            |
| Total                                |      | 789,358      | 775,785          |

(1) Certificates of deposit issued were mainly issued by head office, overseas branches, CCB New Zealand, and Sino-German Bausparkasse.

(2) Bonds issued

| Issue date                       | Maturity date | Interest rate per annum                          | Issue place    | Currency | 30 June 2019 | 31 December 2018 |
|----------------------------------|---------------|--|----------------|----------|--------------|------------------|
| 28/05/2014                       | 28/05/2019    | 1.375%   | Switzerland    | CHF      | -            | 2,093            |
| 02/07/2014                       | 02/07/2019    | 3.25%  | Hong Kong      | USD      | 4,120        | 4,123            |
| 05/09/2014                       | 05/09/2019    | 3.75%  | Taiwan         | RMB      | 600          | 600              |
| 05/09/2014                       | 05/09/2021    | 4.00%  | Taiwan         | RMB      | 600          | 600              |
| 18/11/2014                       | 18/11/2019    | 3.75%  | Taiwan         | RMB      | 1,000        | 1,000            |
| 18/11/2014                       | 18/11/2021    | 3.95%  | Taiwan         | RMB      | 1,000        | 1,000            |
| 18/11/2014                       | 18/11/2024    | 4.08%  | Taiwan         | RMB      | 600          | 600              |
| 20/01/2015                       | 20/01/2020    | 3.125%   | Hong Kong      | USD      | 4,803        | 4,810            |
| 11/02/2015                       | 11/02/2020    | 1.50%  | Luxembourg     | EUR      | 3,904        | 3,929            |
| 18/06/2015                       | 18/06/2019    | 4.30%  | Auckland       | NZD      | -            | 7                |
| 18/06/2015                       | 18/06/2020    | 3-month New Zealand benchmark interest rate+1.2% | Auckland       | NZD      | 115          | 115              |
| 28/07/2015                       | 28/07/2020    | 3.25%  | Hong Kong      | USD      | 3,433        | 3,437            |
| 10/09/2015                       | 10/09/2019    | 3.945%   | Auckland       | NZD      | 57           | 57               |
| 29/12/2015                       | 27/01/2020    | 3.80%  | Auckland       | NZD      | 92           | 92               |
| 30/03/2016                       | 30/03/2026    | 4.08%  | Mainland China | RMB      | 3,500        | 3,500            |
| 16/05/2016                       | 16/05/2019    | 3.10%  | Auckland       | NZD      | -            | 46               |
| 31/05/2016                       | 31/05/2019    | 2.38%  | Hong Kong      | USD      | -            | 1,513            |
| 31/05/2016                       | 31/05/2021    | 2.75%  | Hong Kong      | USD      | 2,072        | 2,075            |
| 18/08/2016                       | 18/09/2020    | 2.95%  | Auckland       | NZD      | 475          | 476              |
| 18/10/2016                       | 18/10/2020    | 3.05%  | Auckland       | NZD      | 7            | 7                |
| 21/10/2016                       | 21/10/2021    | 2.25%  | Hong Kong      | USD      | 4,475        | 4,483            |
| 09/11/2016                       | 09/11/2019    | 3.05%  | Mainland China | RMB      | 3,200        | 3,200            |
| 09/11/2016                       | 09/11/2021    | 3.05%  | Mainland China | RMB      | 800          | 800              |
| 22/12/2016                       | 22/12/2019    | 3.35%  | Auckland       | NZD      | 46           | 46               |
| 17/02/2017                       | 17/02/2020    | 0.63%  | Luxembourg     | EUR      | 3,904        | 3,928            |
| 31/05/2017                       | 29/05/2020    | 3M LIBOR +0.77%                                  | Hong Kong      | USD      | 8,240        | 8,246            |
| 13/06/2017                       | 13/06/2022    | 2.75%  | Hong Kong      | USD      | 4,117        | 4,123            |
| 27/09/2017                       | 27/09/2019    | 2.37%  | Hong Kong      | USD      | 515          | 515              |
| 25/10/2017                       | 25/10/2022    | 3.15%  | Hong Kong      | USD      | 687          | 687              |
| 25/10/2017                       | 27/10/2020    | 2.20%  | Hong Kong      | USD      | 82           | 82               |
| 26/10/2017                       | 26/10/2020    | 2.08%  | Singapore      | SGD      | 2,538        | 2,522            |
| 09/11/2017                       | 09/11/2022    | 3.93%  | Auckland       | NZD      | 692          | 693              |
| 04/12/2017                       | 04/12/2020    | 2.29%  | Hong Kong      | USD      | 5,493        | 5,497            |
| 04/12/2017                       | 04/12/2020    | 2.75%  | Hong Kong      | USD      | 3,433        | 3,436            |
| 04/12/2017                       | 04/12/2022    | 3.00%  | Hong Kong      | USD      | 2,747        | 2,749            |
| 13/03/2018                       | 13/03/2021    | 3.20%  | Auckland       | NZD      | 46           | 46               |
| 17/04/2018                       | 17/04/2019    | 2.97%  | Hong Kong      | USD      | -            | 69               |
| 17/04/2018                       | 26/03/2021    | 3M LIBOR +0.75%                                  | Hong Kong      | USD      | 549          | 550              |
| 18/04/2018                       | 18/04/2021    | 4.88%  | Mainland China | RMB      | 6,000        | 6,000            |
| 19/04/2018                       | 26/04/2019    | 3M LIBOR +0.45%                                  | Hong Kong      | USD      | -            | 275              |
| 30/04/2018                       | 30/04/2021    | 3M LIBOR +0.75%                                  | Hong Kong      | USD      | 137          | 137              |
| 04/05/2018                       | 04/05/2021    | 3M LIBOR +0.80%                                  | Hong Kong      | USD      | 172          | 172              |
| 08/06/2018                       | 08/06/2021    | 3M LIBOR +0.73%                                  | Hong Kong      | USD      | 6,180        | 6,184            |
| 08/06/2018                       | 08/06/2023    | 3M LIBOR +0.83%                                  | Hong Kong      | USD      | 4,120        | 4,123            |
| 19/06/2018                       | 19/06/2023    | 4.01%  | Auckland       | NZD      | 461          | 462              |
| 12/07/2018                       | 12/07/2023    | 3M LIBOR +1.25%                                  | Hong Kong      | USD      | 2,747        | 2,749            |
| 20/07/2018                       | 20/07/2021    | 4.48%  | Mainland China | RMB      | 3,000        | 3,000            |
| 21/08/2018                       | 19/06/2023    | 4.005%   | Auckland       | NZD      | 161          | 162              |
| 23/08/2018                       | 23/08/2021    | 4.25%  | Mainland China | RMB      | 2,500        | 2,500            |
| 21/09/2018                       | 21/09/2020    | 2.643%   | Singapore      | SGD      | 1,523        | 1,513            |
| 24/09/2018                       | 24/09/2021    | 3M LIBOR +0.75%                                  | Hong Kong      | USD      | 6,867        | 6,871            |
| 24/09/2018                       | 24/09/2021    | 3M EURIBOR +0.60%                                | Luxembourg     | EUR      | 3,904        | 3,924            |
| 20/12/2018                       | 20/12/2021    | 3M LIBOR +0.75%                                  | Auckland       | USD      | 689          | 688              |
| 24/12/2018                       | 24/12/2020    | 3M LIBOR +0.70%                                  | Hong Kong      | USD      | 1,099        | 1,099            |
| 16/05/2019                       | 16/05/2024    | 3.50%  | Hong Kong      | USD      | 3,412        | -                |
| 16/05/2019                       | 16/06/2029    | 3.88%  | Hong Kong      | USD      | 1,373        | -                |
| 26/06/2019                       | 24/06/2022    | 0.21%  | Japan          | JPY      | 1,273        | -                |
| Total nominal value              |               |  |                |          | 113,560      | 111,611          |
| Less: unamortised issuance costs |               |  |                |          | (164)        | (164)            |
| Carrying value                   |               |  |                |          | 113,396      | 111,447          |

## 40 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC, the CBIRC, the HKMA and Brasil Central Bank is as follows:

| Issue date                      | Maturity date | Interest rate per annum                        | Currency | Note | 30 June 2019 | 31 December 2018 |
|---------------------------------|---------------|--|----------|------|--------------|------------------|
| 24/02/2009                      | 26/02/2024    | 4.00%  | RMB      | (a)  | -            | 28,000           |
| 07/08/2009                      | 11/08/2024    | 4.04%  | RMB      | (b)  | 10,000       | 10,000           |
| 03/11/2009                      | 04/11/2019    | Benchmark rate released by Brasil Central Bank | BRL      | (c)  | 357          | 354              |
| 18/12/2009                      | 22/12/2024    | 4.80%  | RMB      | (d)  | 20,000       | 20,000           |
| 27/04/2010                      | 27/04/2020    | 8.50%  | USD      | (c)  | 1,677        | 1,728            |
| 03/11/2011                      | 07/11/2026    | 5.70%  | RMB      | (e)  | 40,000       | 40,000           |
| 20/11/2012                      | 22/11/2027    | 4.99%  | RMB      | (f)  | 40,000       | 40,000           |
| 20/08/2014                      | 20/08/2024    | 4.25%  | USD      | (g)  | 5,150        | 5,154            |
| Total nominal value             |               |  |          |      | 117,184      | 145,236          |
| Less: Unamortised issuance cost |               |  |          |      | (57)         | (67)             |
| Carrying value                  |               |  |          |      | 117,127      | 145,169          |

(a) The Group has chosen to exercise the option to redeem all the bonds on 26 February 2019.

(b) The Group has an option to redeem the bonds on 11 August 2019. If they are not redeemed by the Group, the interest rate will increase to 7.04% per annum from 11 August 2019 for the next five years.

(c) The subordinated bonds were issued by CCB Brasil.

(d) The Group has an option to redeem the bonds on 22 December 2019. If they are not redeemed by the Group, the interest rate will increase to 7.80% per annum from 22 December 2019 for the next five years.

(e) The Group has an option to redeem the bonds on 7 November 2021, subject to approval from the relevant authority.

(f) The Group has an option to redeem the bonds on 22 November 2022, subject to approval from the relevant authority.

(g) The Group has an option to redeem the bonds on 20 August 2019, subject to approval from the relevant authority.

(4) Eligible Tier 2 capital bonds issued

| Issue date                           | Maturity date | Interest rate per annum | Currency | Note | 30 June 2019 | 31 December 2018 |
|--------------------------------------|---------------|-------------------------|----------|------|--------------|------------------|
| 15/08/2014                           | 18/08/2029    | 5.98%                   | RMB      | (a)  | 20,000       | 20,000           |
| 12/11/2014                           | 12/11/2024    | 4.90%                   | RMB      | (b)  | 2,000        | 2,000            |
| 13/05/2015                           | 13/05/2025    | 3.88%                   | USD      | (c)  | 13,734       | 13,746           |
| 18/12/2015                           | 21/12/2025    | 4.00%                   | RMB      | (d)  | 24,000       | 24,000           |
| 25/09/2018                           | 24/09/2028    | 4.86%                   | RMB      | (e)  | 43,000       | 43,000           |
| 29/10/2018                           | 28/10/2028    | 4.70%                   | RMB      | (f)  | 40,000       | 40,000           |
| 27/02/2019                           | 27/02/2029    | 4.25%                   | USD      | (g)  | 12,704       | -                |
| Total nominal value                  |               |                         |          |      | 155,438      | 142,746          |
| Less: Unamortised issuance cost      |               |                         |          |      | (99)         | (65)             |
| Carrying value as at period/year end |               |                         |          |      | 155,339      | 142,681          |

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has an option to redeem the bonds on 12 November 2019, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate per annum will increase by 1.538% on the basis of the twelve months CNH HIBOR applicable on the interest reset date from 12 November 2019. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(c) The Group has an option to redeem the bonds on 13 May 2020, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 13 May 2020 and increase by 2.425% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(d) The Group has an option to redeem the bonds on 21 December 2020, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 25 September 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 29 October 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

## 41 Other liabilities

|  | 30 June 2019   | 31 December 2018 |
|--|----------------|------------------|
| Insurance related liabilities                      | 132,435        | 116,463          |
| Dividends payable                                  | 76,563         | –                |
| Clearing and settlement accounts                   | 57,416         | 7,630            |
| Deferred income                                    | 21,776         | 14,548           |
| Lease liabilities                                  | 20,225         | N/A              |
| Payment and collection clearance accounts          | 18,132         | 21,696           |
| Cash pledged and rental income received in advance | 9,402          | 9,486            |
| Capital expenditure payable                        | 7,038          | 9,248            |
| Dormant accounts                                   | 6,689          | 6,973            |
| Accrued expenses                                   | 3,420          | 3,728            |
| Others   | 122,734        | 91,642           |
| Total  | <b>475,830</b> | 281,414          |

## 42 Share capital

|                                     | 30 June 2019   | 31 December 2018 |
|-------------------------------------|----------------|------------------|
| Listed in Hong Kong (H shares)      | 240,417        | 240,417          |
| Listed in Mainland China (A shares) | 9,594          | 9,594            |
| Total                               | <b>250,011</b> | 250,011          |

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

## 43 Other equity instruments

### (1) Preference shares outstanding as at the end of the reporting period

| Preference shares               | Issuance date    | Classification     | Initial interest rate | Issuance price   | Quantity (million) | Total amount            |        | Maturity date    | Conversion conditions |
|---------------------------------|------------------|--------------------|-----------------------|------------------|--------------------|-------------------------|--------|------------------|-----------------------|
|                                 |                  |                    |                       |                  |                    | Original currency (USD) | (RMB)  |                  |                       |
| 2015 Offshore Preference Shares | 16 December 2015 | Equity instruments | 4.65%                 | \$20 per share   | 152.5              | 3,050                   | 19,711 | No maturity date | None                  |
| 2017 Domestic Preference Shares | 21 December 2017 | Equity instruments | 4.75%                 | RMB100 per share | 600                |                         | 60,000 | No maturity date | None                  |
| Less: Issuance fee              |                  |                    |                       |                  |                    |                         | (75)   |                  |                       |
| Carrying amount                 |                  |                    |                       |                  |                    |                         | 79,636 |                  |                       |

### (2) The key terms

#### (a) Offshore Preference Shares

##### (i) Dividend

The initial annual dividend rate is 4.65% and is subsequently subject to reset per agreement, but in no case shall exceed 20.4850%. The dividend is measured and paid in dollars. After such dividend being paid at the agreed dividend payout ratio, the holders of the above offshore preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The dividends for offshore preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend for the offshore preference shares, and such cancellation shall not be deemed a default. However, until the Bank fully pays the dividends for the current dividend period, the Bank shall not make any dividend distribution to ordinary shareholders.

##### (ii) Redemption

Subject to receiving the prior approval of CBIRC and satisfaction of the redemption conditions precedent, all or only some of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 16 December 2020 or on any dividend payment date thereafter at the redemption price which is equal to the issue price plus dividends payable but not yet distributed in the current period.



## 43 Other equity instruments (continued)

### (2) The key terms (continued)

#### (a) Offshore Preference Shares (continued)

##### (iii) Compulsory conversion of preference shares

When an Additional Tier 1 Capital Instrument Trigger Event occurs, that is when Core Tier 1 Capital Adequacy Ratio of the Bank falls to 5.125% (or below), the Bank shall (without the need for the consent of offshore preference shareholders) convert all or only some of the preference shares in issue into such number of H shares which will be sufficient to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above 5.125% according to the contract; when a Tier 2 Capital Instrument Trigger Event occurs, the Bank shall (without the need for the consent of offshore preference shareholders) convert all of the offshore preference shares in issue into such number of H shares according to contract. Tier 2 Capital Instrument Trigger Event is defined as the earlier of: (i) the CBIRC having decided that without a conversion or write-off the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Once a preference share has been converted, it will not be restored in any circumstances. When the compulsory conversion of offshore preference shares occurs, the Bank shall report to the CBIRC for approval and decision.

#### (b) Domestic Preference Shares

##### (i) Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

##### (ii) Redemption

The Bank may, subject to CBIRC approval and compliance with the Redemption Preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

##### (iii) Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (1) the CBIRC having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (2) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and CSRC.

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

#### 43 Other equity instruments (continued)

##### (3) Changes in preference shares outstanding

| Preference Shares               | 1 January 2019             |                   | Increase/(Decrease)        |                   | 30 June 2019               |                |
|---------------------------------|----------------------------|-------------------|----------------------------|-------------------|----------------------------|----------------|
|                                 | Amount<br>(million shares) | Carrying<br>value | Amount<br>(million shares) | Carrying<br>value | Amount<br>(million shares) | Carrying value |
| 2015 Offshore Preference Shares | 152.5                      | 19,659            | –                          | –                 | 152.5                      | 19,659         |
| 2017 Domestic Preference Shares | 600                        | 59,977            | –                          | –                 | 600                        | 59,977         |
| Total                           | 752.5                      | 79,636            | –                          | –                 | 752.5                      | 79,636         |

##### (4) Interests attributable to the holders of equity instruments

| Items  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| 1. Total equity attributable to equity holders of the Bank                       | 2,055,756    | 1,976,463        |
| (1) Equity attributable to ordinary equity holders of the Bank                   | 1,976,120    | 1,896,827        |
| (2) Equity attributable to other equity holders of the Bank                      | 79,636       | 79,636           |
| Of which: net profit   | –            | 3,936            |
| dividends received   | –            | 3,936            |
| 2. Total equity attributable to non-controlling interests                        | 16,282       | 15,131           |
| (1) Equity attributable to non-controlling interests of ordinary shares          | 12,829       | 11,678           |
| (2) Equity attributable to non-controlling interests of other equity instruments | 3,453        | 3,453            |

#### 44 Capital reserve

|               | 30 June 2019 | 31 December 2018 |
|---------------|--------------|------------------|
| Share premium | 134,537      | 134,537          |

#### 45 Other comprehensive income

|  | Other comprehensive income of the statement of financial position |   |              | Other comprehensive income of the statement of comprehensive income |  |                    |   |   |
|--|---|---|--------------|---|--|--------------------|---|---|
|  | 1 January 2019  | Net-of-tax amount attributable to equity shareholders of the Bank | 30 June 2019 | Six months ended 30 June 2019                                       |  |                    |   |   |
|  |   |   |              | The amount before taxes   | Less: Reclassification adjustments included in profit or loss due to disposals | Less: Income taxes | Net-of-tax amount attributable to equity shareholders of the Bank | Net-of-tax amount attributable to non-controlling interests |
| (1) Other comprehensive income that will not be reclassified to profit or loss   |   |   |              |   |  |                    |   |   |
| Remeasurements of post-employment benefit obligations  | (406)   | 110   | (296)        | 110   | –  | –                  | 110   | –   |
| Fair value changes of equity of equity instruments designated as measured at fair value through other comprehensive income | 599   | 318   | 917          | 424   | –  | (106)              | 318   | –   |
| Others   | 521   | (3)   | 518          | (3)   | –  | –                  | (3)   | –   |
| (2) Other comprehensive income that may be reclassified subsequently to profit or loss                                     |   |   |              |   |  |                    |   |   |
| Fair value changes of debt instruments measured at fair value through other comprehensive income                           | 17,165  | (229)   | 16,936       | (350)   | (124)  | 213                | (229)   | (32)  |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income                 | 2,277   | 1,359   | 3,636        | 1,819   | –  | (460)              | 1,359   | –   |
| Net gains/(losses) on cash flow hedges   | 53  | (174)   | (121)        | (174)   | –  | –                  | (174)   | –   |
| Exchange difference on translating foreign operations  | (1,758)   | 225   | (1,533)      | (76)  | –  | –                  | 225   | (301)   |
| Total  | 18,451  | 1,606   | 20,057       | 1,750   | (124)  | (353)              | 1,606   | (333)   |

## 45 Other comprehensive income (continued)

|  | Other comprehensive income of the statement of financial position |   |                  | Other comprehensive income of the statement of comprehensive income |  |                    |   |   |
|--|---|---|------------------|---|--|--------------------|---|---|
|  | 1 January 2018  | Net-of-tax amount attributable to equity shareholders of the Bank | 31 December 2018 | 2018  |  |                    |   |   |
|  |   |   |                  | The amount before income taxes                                      | Less: Reclassification adjustments included in profit or loss due to disposals | Less: Income taxes | Net-of-tax amount attributable to equity shareholders of the Bank | Net-of-tax amount attributable to non-controlling interests |
| (1) Other comprehensive income that will not be reclassified to profit or loss                                   |   |   |                  |   |  |                    |   |   |
| Remeasurements of post-employment benefit obligations  | (110)   | (296)   | (406)            | (296)   | -  | -                  | (296)   | -   |
| Fair value changes of equity instruments designated as measured at fair value through other comprehensive income | 479   | 120   | 599              | 160   | -  | (40)               | 120   | -   |
| Others   | 478   | 43  | 521              | 43  | -  | -                  | 43  | -   |
| (2) Other comprehensive income that may be reclassified subsequently to profit or loss                           |   |   |                  |   |  |                    |   |   |
| Fair value changes of debt instruments measured at fair value through other comprehensive income                 | (18,420)  | 35,585  | 17,165           | 47,816  | (199)  | (11,879)           | 35,585  | 153   |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income       | 1,976   | 301   | 2,277            | 404   | -  | (101)              | 301   | 2   |
| Net gains/(losses) on cash flow hedges   | 320   | (267)   | 53               | (267)   | -  | -                  | (267)   | -   |
| Exchange difference on translating foreign operations  | (4,322)   | 2,564   | (1,758)          | 2,573   | -  | -                  | 2,564   | 9   |
| Total  | (19,599)  | 38,050  | 18,451           | 50,433  | (199)  | (12,020)           | 38,050  | 164   |

## 46 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

## 47 General reserve

The general reserve of the Group is set up based upon the requirements of:

|   | Note | 30 June 2019 | 31 December 2018 |
|---|------|--------------|------------------|
| MOF                                       | (1)  | 272,001      | 272,001          |
| Hong Kong Banking Ordinance               | (2)  | 2,124        | 2,124            |
| Other regulatory bodies in Mainland China | (3)  | 5,196        | 4,908            |
| Other overseas regulatory bodies          |      | 724          | 692              |
| Total                                     |      | 280,045      | 279,725          |

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the "Regulation on Management of Financial Institutions for Reserves" (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

## 48 Profit distribution

In the Annual General Meeting held on 21 June 2019, the shareholders approved the profit distribution for the year ended 31 December 2018. The Bank appropriated cash dividend for the year ended 31 December 2018 in an aggregate amount of RMB76,503 million.

## 49 Notes to the statement of cash flows

Cash and cash equivalents

|   | 30 June 2019 | 31 December 2018 | 30 June 2018 |
|---|--------------|------------------|--------------|
| Cash  | 59,906       | 65,215           | 75,574       |
| Surplus deposit reserves with central banks   | 301,981      | 389,425          | 276,242      |
| Demand deposits with banks and non-bank financial institutions  | 63,071       | 60,531           | 55,376       |
| Time deposits with banks and non-bank financial institutions with original maturity with or within three months | 130,231      | 211,186          | 334,826      |
| Placements with banks and non-bank financial institutions with original maturity with or within three months    | 186,037      | 134,345          | 110,976      |
| Total   | 741,226      | 860,702          | 852,994      |

## 50 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.

### Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2019, the carrying value of debt securities lent to counterparties was RMB8,077 million (as at 31 December 2018: nil).

### Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement.

As at 30 June 2019, loans with an original carrying amount of RMB515,723 million (as at 31 December 2018: RMB447,278 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2019, the carrying amount of assets that the Group continued to recognise was RMB56,676 million (as at 31 December 2018: RMB49,017 million). As at 30 June 2019, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB56,601 million (as at 31 December 2018: RMB47,515 million).

As at 30 June 2019, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB222 million (as at 31 December 2018: RMB187 million), and its maximum loss exposure approximates to the carrying amount.

## 51 Operating segments

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

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

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

### (1) Geographical segments

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

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

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

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

## 51 Operating segments (continued)

### (1) Geographical segments (continued)

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

## 51 Operating segments (continued)

### (1) Geographical segments (continued)

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





## 51 Operating segments (continued)

### (2) Business segments (continued)

*Others (continued)*

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

## 52 Entrusted lending business

As at the end of the reporting period, the entrusted loans and funds were as follows:

|                 | 30 June 2019 | 31 December 2018 |
|-----------------|--------------|------------------|
| Entrusted loans | 3,043,835    | 2,922,226        |
| Entrusted funds | 3,043,835    | 2,922,226        |

## 53 Pledged assets

### (1) Assets pledged as security

*Carrying value of pledged assets analysed by asset type*

|                  | 30 June 2019 | 31 December 2018 |
|------------------|--------------|------------------|
| Cash deposit     | 266          | 948              |
| Discounted bills | 773          | 765              |
| Bonds            | 487,247      | 639,922          |
| Others           | 3,984        | 5,773            |
| Total            | 492,270      | 647,408          |

### (2) Collateral accepted as security for assets

The Group enters into resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at 30 June 2019 and 31 December 2018, the Group did not hold any collateral for resale agreements, which was permitted to sell or repledge in the absence of default for the transactions.

## 54 Commitments and contingent liabilities

### (1) Credit commitments

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

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

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

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

## 54 Commitments and contingent liabilities (continued)

### (2) Credit risk-weighted amount

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

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

### (3) Capital commitments

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

|                | 30 June 2019 | 31 December 2018 |
|----------------|--------------|------------------|
| Contracted for | <b>9,084</b> | 11,792           |

### (4) Underwriting obligations

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

### (5) Government bond redemption obligations

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

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

### (6) Outstanding litigations and disputes

As at 30 June 2019, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB10,601 million (as at 31 December 2018: RMB9,070 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 39). The Group considers that the provisions made are reasonable and adequate.

### (7) Provision against commitments and contingent liabilities

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

## 55 Related party relationships and transactions

### (1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2019, Huijin directly held 57.11% of shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB117,184 million (as at 31 December 2018: RMB145,236 million). These are bearer bonds and tradable in the secondary market. The Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

#### (a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

##### Amounts

|                  | Six months ended 30 June |                               |        |                               |
|------------------|--------------------------|-------------------------------|--------|-------------------------------|
|                  | 2019                     |                               | 2018   |                               |
|                  | Amount                   | Ratio to similar transactions | Amount | Ratio to similar transactions |
| Interest income  | 1,028                    | 0.24%                         | 814    | 0.21%                         |
| Interest expense | 56                       | 0.03%                         | 77     | 0.05%                         |
| Net trading gain | 7                        | 0.14%                         | –      | –                             |

##### Balances outstanding as at the end of the reporting period

|  | 30 June 2019 |                               | 31 December 2018 |                               |
|--|--------------|-------------------------------|------------------|-------------------------------|
|  | Balance      | Ratio to similar transactions | Balance          | Ratio to similar transactions |
| Loans and advances to customers  | 12,000       | 0.09%                         | 28,000           | 0.21%                         |
| Financial investments  |              |                               |                  |                               |
| Financial assets measured at fair value through profit or loss             | 411          | 0.06%                         | –                | –                             |
| Financial assets measured at amortised cost                                | 12,174       | 0.34%                         | 8,097            | 0.25%                         |
| Financial assets measured at fair value through other comprehensive income | 15,099       | 0.84%                         | 11,563           | 0.68%                         |
| Deposits from banks and non-bank financial institutions                    | 15           | 0.00%                         | 1,627            | 0.11%                         |
| Deposits from customers  | 4,817        | 0.03%                         | 3,675            | 0.02%                         |
| Credit commitments   | 288          | 0.01%                         | 288              | 0.01%                         |

## 55 Related party relationships and transactions (continued)

### (1) Transactions with parent companies and their affiliates (continued)

#### (b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

#### Amounts

|   | Note | Six months ended 30 June |                               |        |                               |
|---|------|--------------------------|-------------------------------|--------|-------------------------------|
|   |      | 2019                     |                               | 2018   |                               |
|   |      | Amount                   | Ratio to similar transactions | Amount | Ratio to similar transactions |
| Interest income                             |      | 11,371                   | 2.63%                         | 11,426 | 2.90%                         |
| Interest expense                            |      | 1,954                    | 1.07%                         | 4,102  | 2.63%                         |
| Fee and commission income                   |      | 137                      | 0.16%                         | 69     | 0.09%                         |
| Fee and commission expense                  |      | 114                      | 1.53%                         | 57     | 0.90%                         |
| Net trading gain                            |      | 218                      | 4.49%                         | –      | –                             |
| Net gain arising from investment securities |      | 975                      | 14.91%                        | –      | –                             |
| Operating expenses                          | (i)  | 324                      | 0.41%                         | 414    | 0.58%                         |

#### Balances outstanding as at the end of the reporting period

|  | Note  | 30 June 2019  |                               | 31 December 2018 |                               |
|--|-------|---|-------------------------------|------------------|-------------------------------|
|  |       | Balance   | Ratio to similar transactions | Balance          | Ratio to similar transactions |
|  |       | Deposits with banks and non-bank financial institutions |                               | 61,460           | 16.81%                        |
| Placements with banks and non-bank financial institutions                  |       | 77,229  | 17.24%                        | 96,352           | 27.55%                        |
| Positive fair value of derivatives   |       | 3,322   | 11.47%                        | 4,811            | 9.51%                         |
| Financial assets held under resale agreements                              |       | 17,159  | 3.81%                         | 10,110           | 5.01%                         |
| Loans and advances to customers  |       | 52,647  | 0.37%                         | 68,382           | 0.51%                         |
| Financial investments  |       |   |                               |                  |                               |
| Financial assets measured at fair value through profit or loss             |       | 73,383  | 10.82%                        | 17,067           | 2.33%                         |
| Financial assets measured at amortised cost                                |       | 279,843   | 7.83%                         | 294,975          | 9.01%                         |
| Financial assets measured at fair value through other comprehensive income |       | 231,108   | 12.86%                        | 229,510          | 13.41%                        |
| Other assets   | (ii)  | 128   | 0.07%                         | 211              | 0.16%                         |
| Deposits from banks and non-bank financial institutions                    | (iii) | 91,783  | 6.32%                         | 60,518           | 4.24%                         |
| Placements from banks and non-bank financial institutions                  |       | 164,548   | 37.23%                        | 117,661          | 28.00%                        |
| Negative fair value of derivatives   |       | 3,364   | 12.01%                        | 6,961            | 14.35%                        |
| Financial assets sold under repurchase agreements                          |       | 1,452   | 4.13%                         | 1,486            | 4.83%                         |
| Deposits from customers  |       | 34,173  | 0.19%                         | 18,633           | 0.11%                         |
| Other liabilities  |       | 5,667   | 1.19%                         | 4,467            | 1.59%                         |
| Credit commitments   |       | 9,771   | 0.33%                         | 8,443            | 0.29%                         |

(i) Operating expenses mainly represent fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

## 55 Related party relationships and transactions (continued)

### (2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

#### Amounts

|                            | Six months ended 30 June |      |
|----------------------------|--------------------------|------|
|                            | 2019                     | 2018 |
| Interest income            | 45                       | 193  |
| Interest expense           | 173                      | 37   |
| Fee and commission income  | 140                      | 28   |
| Fee and commission expense | 4                        | –    |
| Operating expenses         | 50                       | 106  |

#### Balances outstanding as at the end of the reporting period

|                                    | 30 June 2019 | 31 December 2018 |
|------------------------------------|--------------|------------------|
| Loans and advances to customers    | 3,220        | 8,634            |
| Other assets                       | 34           | 16               |
| Negative fair value of derivatives | –            | 35               |
| Deposits from customers            | 6,270        | 1,669            |
| Other liabilities                  | 369          | 419              |
| Credit commitments                 | 10           | 10               |

### (3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 2(3).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

#### Amounts

|   | Six months ended 30 June |       |
|---|--------------------------|-------|
|   | 2019                     | 2018  |
| Interest income                             | 532                      | 444   |
| Interest expense                            | 417                      | 95    |
| Fee and commission income                   | 1,317                    | 1,196 |
| Fee and commission expense                  | 522                      | 264   |
| Dividend income                             | 160                      | 52    |
| Net loss arising from investment securities | (52)                     | –     |
| Other operating income/(expense), net       | 16                       | (68)  |
| Operating expenses                          | 1,132                    | 631   |

#### Balances outstanding as at the end of the reporting period

|  | 30 June 2019 | 31 December 2018 |
|--|--------------|------------------|
| Deposits with banks and non-bank financial institutions                    | 2,456        | 3,640            |
| Placements with banks and non-bank financial institutions                  | 86,644       | 77,992           |
| Positive fair value of derivatives   | 68           | 327              |
| Financial assets held under resale agreements                              | –            | 2,130            |
| Loans and advances to customers  | 4,716        | 10,918           |
| Financial investments  |              |                  |
| Financial assets measured at fair value through profit or loss             | 206          | –                |
| Financial assets measured at amortised cost                                | 1,232        | 2,127            |
| Financial assets measured at fair value through other comprehensive income | 9,797        | 10,336           |
| Other assets   | 39,090       | 39,105           |

## 55 Related party relationships and transactions (continued)

### (3) Transactions between the Bank and its subsidiaries (continued)

*Balances outstanding as at the end of the reporting period (continued)*

|   | 30 June 2019 | 31 December 2018 |
|---|--------------|------------------|
| Deposits from banks and non-bank financial institutions             | 23,181       | 6,688            |
| Placements from banks and non-bank financial institutions           | 48,970       | 38,999           |
| Financial liabilities measured at fair value through profit or loss | 45           | 45               |
| Negative fair value of derivatives                                  | 271          | 344              |
| Financial assets sold under repurchase agreements                   | –            | 1,334            |
| Deposits from customers   | 24,406       | 7,233            |
| Debt securities issued  | 824          | 824              |
| Other liabilities   | 981          | 281              |

As at 30 June 2019, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB37,230 million (as at 31 December 2018: RMB38,733 million).

For the six months ended 30 June 2019, the transactions between subsidiaries of the Group were mainly placements with banks and non-bank financial institutions and placements from banks and non-bank financial institutions (for the year ended 31 December 2018: deposits with banks and non-bank financial institutions and deposits from banks and non-bank financial institutions). As at 30 June 2019, the balances of the above transactions were RMB14,300 million (as at 31 December 2018: RMB2,509 million) and RMB14,897 million (as at 31 December 2018: RMB2,509 million), respectively.

### (4) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the six months ended 30 June 2019 and for the year ended 31 December 2018.

As at 30 June 2019, the Group's supplementary retirement benefit plan assets of RMB3,717 million (as at 31 December 2018: RMB3,760 million) were managed by CCB Principal and management fees payable to CCB Principal were RMB4.50 million (as at 31 December 2018: RMB15.63 million).

### (5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior management. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2019 and for the year ended 31 December 2018, there were no material transactions and balances with key management personnel. As at 30 June 2019, the aggregate balance of loans and credit card overdraft to the persons who were considered as related parties according to the relevant rules of the Shanghai Stock Exchange was RMB22.99 million (as at 31 December 2018: RMB19.06 million).

### (6) Loans, quasi-loans and other credit transactions to directors, supervisors and senior management

The Group had no material balances of loans, quasi-loans and other credit transactions to directors, supervisors and senior management as at the end of the reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior management were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

## 56 Risk management

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

### Risk management framework

The Board of Directors carries out their responsibilities according to the Articles of Association and other related regulatory requirements. The Board of Directors of the Bank established the Risk Management Committee to be responsible for formulating risk management strategies and policies, monitoring the implementation, and evaluating the overall risk profile on a regular basis. The Board of Supervisors has overseen the establishment of the overall risk management system and the carrying out of risk management responsibilities by the Board of Directors and senior management. Senior management is responsible for carrying out the risk management strategies established by the Board of Directors and the implementation of the overall risk management of the Group. Senior management appoints the Chief Risk Officer who assists the president with the corresponding risk management work.

To identify, evaluate, monitor and manage risk, the Group has designed a comprehensive governance framework, internal control policies and procedures. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training system, standardised management and process management, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk Management Department is the overall business risk management department. The Credit Management Department is the overall credit risk management department. The Credit Approval Department is the overall credit business approval department. The Internal Control and Compliance Department is the coordination department for compliance risk management, money laundering risk management, operational risk management and information technology risk management. Other departments are responsible for various corresponding risks.

The Group's Audit Committee is responsible for monitoring and evaluating internal controls, and monitoring the compliance of core business sectors and their management procedures. The Internal Control and Compliance Department assists the Audit Committee to execute the above-mentioned responsibilities and reports to the Audit Committee.

### (1) Credit risk

#### *Credit risk management*

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

#### *Credit business*

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Special Assets Resolution Center is responsible for the special assets resolutions. The Credit Approval Department is responsible for the Group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually carries out post-lending monitoring, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.



**56 Risk management** (continued)**(1) Credit risk** (continued)*Credit business (continued)*

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A refined management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

*Treasury business*

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in Notes (1)(i) and (1)(j) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

*Measurement of expected credit losses (ECLs)**(A) Segmentation of financial instruments*

The Group adopts a “three-stage” model for impairment based on changes in credit risk since initial recognition, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

- Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.
- Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.
- Stage 3: For financial assets with objective evidence of impairment at the end of the reporting period, lifetime expected credit losses are recognised.

*(B) Significant increase in credit risk (SICR)*

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on a quarterly basis. The Group sufficiently considers all reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, asset price, market interest rate, repayment behaviours, etc. The Group compares the risk of defaulted financial instruments as at the reporting date with that as at the date of initial recognition of an individual financial instrument or a group of financial instruments that shares the similar credit risk characteristics. The key factors are as follows: 1. The change in probability of default (PD), for example, in principle, the internal credit rating of corporate loans and advances is 15 or below, and the internal credit rating of debt securities has dropped by 2 or more notches. 2. Other factors which cause significant increase in credit risk. Usually, it should be regarded as a significant increase in credit risk if the overdue days exceed 30 days.

*(C) Definition of default and credit-impaired assets*

The Group considers a financial instrument as default, when it is credit-impaired. Generally, overdue for more than 90 days on contractual payment terms is considered default.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- Significant financial difficulty of the borrower or issuer;
- Breach of contract terms, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Purchase or originate a financial asset by a large margin discount which reflects the fact of credit-impairment’s occurrence;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;
- Other objective evidence indicating there is an impairment of the financial asset.

The Group’s definition of default has been consistently applied to the modelling process of PD, LGD and EAD during the ECL calculation.

## 56 Risk management (continued)

### (1) Credit risk (continued)

#### *Measurement of expected credit losses (ECLs) (continued)*

##### *(D) Measuring ECL – explanation of parameters, assumptions and estimation techniques*

The ECL is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the three scenarios, defined as follows:

PD represents, after consideration of forward-looking information, the likelihood of a borrower defaulting on its financial obligation in the future. Please refer to the disclosure above in this note for the definition of default.

LGD represents, after consideration of forward-looking information, the Group's expectation on the ratio of extent of loss resulting from the default exposure.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL calculation is the effective interest rate.

Please refer to further disclosure in this note for forward-looking information which is incorporated in the calculation of expected credit losses.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how the collateral values change, are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

##### *(E) Forward-looking information incorporated in the ECL*

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Group has performed historical data analysis and identified the key economic variables related to expected credit losses and made forward-looking adjustments, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB and so on. Taking GDP as an example, the predicted value in neutral scenario accords with the development goals issued by the Central People's Government, the predicted value in positive and negative scenarios will fluctuate up and down on the basis of the predicted value in neutral scenario. The forecasts of macroeconomic variables in the variable pool are provided periodically by the Group. The Group constructs empirical models to obtain the relationship between historical macroeconomic variables and PD and LGD, and the PD and LGD in a given future horizon are projected based on the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings in positive, neutral and negative. As at 30 June 2019 and 31 December 2018, the positive, neutral and negative scenarios are of comparable weighting. Following this assessment, the Group measures ECLs as a weighted average probability of ECLs in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECLs for Stage 2 and 3 financial instruments.

##### *(F) Grouping of financial instruments for losses measured on a collective basis*

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The Group uses credit rating, product types and client types, etc. for grouping to calculate the losses measured on a collective basis.

**56 Risk management** (continued)**(1) Credit risk** (continued)*(a) Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

|  | <b>30 June 2019</b> | 31 December 2018 |
|--|---------------------|------------------|
| Deposits with central banks  | <b>2,406,261</b>    | 2,567,648        |
| Deposits with banks and non-bank financial institutions                    | <b>365,628</b>      | 486,949          |
| Placements with banks and non-bank financial institutions                  | <b>447,872</b>      | 349,727          |
| Positive fair value of derivatives   | <b>28,962</b>       | 50,601           |
| Financial assets held under resale agreements                              | <b>450,226</b>      | 201,845          |
| Loans and advances to customers  | <b>14,087,296</b>   | 13,365,430       |
| Financial investments  |                     |                  |
| Financial assets measured at fair value through profit or loss             | <b>560,686</b>      | 630,241          |
| Financial assets measured at amortised cost                                | <b>3,575,473</b>    | 3,272,514        |
| Financial assets measured at fair value through other comprehensive income | <b>1,792,989</b>    | 1,707,884        |
| Other financial assets   | <b>156,256</b>      | 123,629          |
| Total  | <b>23,871,649</b>   | 22,756,468       |
| Off-balance sheet credit commitments                                       | <b>2,953,665</b>    | 2,848,724        |
| Maximum credit risk exposure   | <b>26,825,314</b>   | 25,605,192       |

*(b) Loans and advances to customers analysed by credit quality*

Within overdue but not credit impaired loans and advances and credit impaired loans and advances, the portions covered and not covered by collateral held are as follows:

|                     | <b>30 June 2019</b>                                       |                 |   |
|---------------------|---|-----------------|---|
|                     | <b>Overdue but not credit impaired loans and advances</b> |                 | <b>Credit impaired loans and advances</b> |
|                     | <b>Corporate</b>  | <b>Personal</b> | <b>Corporate</b>                          |
| Portion covered     | <b>11,764</b>   | <b>18,090</b>   | <b>69,606</b>                             |
| Portion not covered | <b>5,722</b>  | <b>11,161</b>   | <b>109,754</b>                            |
| Total               | <b>17,486</b>   | <b>29,251</b>   | <b>179,360</b>                            |
|                     | 31 December 2018  |                 |   |
|                     | Overdue but not credit impaired loans and advances        |                 | Credit impaired loans and advances        |
|                     | Corporate   | Personal        | Corporate                                 |
| Portion covered     | 1,737   | 15,239          | 22,581                                    |
| Portion not covered | 1,482   | 10,757          | 150,459                                   |
| Total               | 3,219   | 25,996          | 173,040                                   |

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.



## 56 Risk management (continued)

### (1) Credit risk (continued)

#### (d) Loans and advances to customers analysed by geographical sector concentrations

|                                       | 30 June 2019       |            |                               | 31 December 2018   |            |                               |
|---------------------------------------|--------------------|------------|-------------------------------|--------------------|------------|-------------------------------|
|                                       | Gross loan balance | Percentage | Balance secured by collateral | Gross loan balance | Percentage | Balance secured by collateral |
| Central                               | 2,577,847          | 17.73%     | 1,605,828                     | 2,418,013          | 17.54%     | 1,505,629                     |
| Yangtze River Delta                   | 2,525,441          | 17.37%     | 1,554,026                     | 2,386,931          | 17.31%     | 1,491,555                     |
| Bohai Rim                             | 2,436,143          | 16.76%     | 1,184,048                     | 2,292,606          | 16.63%     | 1,109,429                     |
| Western                               | 2,394,835          | 16.47%     | 1,358,513                     | 2,277,666          | 16.53%     | 1,299,688                     |
| Pearl River Delta                     | 2,236,185          | 15.38%     | 1,552,569                     | 2,085,684          | 15.13%     | 1,454,487                     |
| Northeastern                          | 737,768            | 5.07%      | 356,674                       | 712,310            | 5.17%      | 357,228                       |
| Head office                           | 686,247            | 4.72%      | 551                           | 685,733            | 4.98%      | –                             |
| Overseas                              | 907,469            | 6.24%      | 206,140                       | 887,312            | 6.44%      | 202,195                       |
| Accrued interest                      | 37,904             | 0.26%      | –                             | 36,798             | 0.27%      | –                             |
| Gross loans and advances to customers | 14,539,839         | 100.00%    | 7,818,349                     | 13,783,053         | 100.00%    | 7,420,211                     |

Details of Stage 3 loans and expected credit losses in respect of geographical sectors are as follows:

|                     | 30 June 2019                  |                                       |          |           |
|---------------------|-------------------------------|---------------------------------------|----------|-----------|
|                     | Stage 3<br>Gross loan balance | Allowances for expected credit losses |          |           |
|                     |                               | Stage 1                               | Stage 2  | Stage 3   |
| Bohai Rim           | 44,885                        | (34,025)                              | (20,343) | (29,372)  |
| Western             | 39,316                        | (37,548)                              | (13,898) | (27,656)  |
| Central             | 37,048                        | (39,662)                              | (16,902) | (25,039)  |
| Yangtze River Delta | 25,860                        | (40,175)                              | (20,361) | (17,847)  |
| Pearl River Delta   | 25,680                        | (35,665)                              | (12,239) | (16,952)  |
| Northeastern        | 23,094                        | (11,826)                              | (10,160) | (16,959)  |
| Head office         | 9,774                         | (9,682)                               | (1,252)  | (8,565)   |
| Overseas            | 2,412                         | (3,329)                               | (1,330)  | (1,756)   |
| Total               | 208,069                       | (211,912)                             | (96,485) | (144,146) |

  

|                     | 31 December 2018               |                                       |          |           |
|---------------------|--------------------------------|---------------------------------------|----------|-----------|
|                     | Stage 3<br>Gross loans balance | Allowances for expected credit losses |          |           |
|                     |                                | Stage 1                               | Stage 2  | Stage 3   |
| Bohai Rim           | 42,331                         | (28,558)                              | (19,930) | (29,548)  |
| Western             | 36,092                         | (31,323)                              | (15,091) | (24,688)  |
| Central             | 34,087                         | (33,900)                              | (14,904) | (25,313)  |
| Yangtze River Delta | 26,234                         | (34,526)                              | (18,960) | (18,543)  |
| Pearl River Delta   | 24,077                         | (29,859)                              | (10,630) | (14,627)  |
| Northeastern        | 25,850                         | (9,996)                               | (11,195) | (19,095)  |
| Head office         | 8,123                          | (11,317)                              | (2,112)  | (6,395)   |
| Overseas            | 4,087                          | (4,136)                               | (802)    | (2,175)   |
| Total               | 200,881                        | (183,615)                             | (93,624) | (140,384) |

The definitions of geographical segments are set out in Note 51(1).

## 56 Risk management (continued)

### (1) Credit risk (continued)

#### (e) Loans and advances to customers analysed by type of collateral

|  | 30 June 2019      | 31 December 2018 |
|--|-------------------|------------------|
| Unsecured loans                                      | 4,658,932         | 4,301,972        |
| Guaranteed loans                                     | 2,024,654         | 2,024,072        |
| Loans secured by property and other immovable assets | 6,578,736         | 6,218,435        |
| Other pledged loans                                  | 1,239,613         | 1,201,776        |
| Accrued interest                                     | 37,904            | 36,798           |
| Gross loans and advances to customers                | <b>14,539,839</b> | 13,783,053       |

#### (f) Rescheduled loans and advances to customers

|  | 30 June 2019  |   | 31 December 2018 |   |
|--|---------------|---|------------------|---|
|  | Total balance | Percentage of gross loans and advances to customers | Total balance    | Percentage of gross loans and advances to customers |
| Rescheduled loans and advances to customers                  | 4,846         | 0.03%   | 5,818            | 0.04%   |
| Of which:  |               |   |                  |   |
| Rescheduled loans and advances overdue for more than 90 days | 1,537         | 0.01%   | 1,866            | 0.01%   |

#### (g) Credit exposure

##### Loans and advances to customers

|  | 30 June 2019             |                         |                         |                   |
|--|--------------------------|-------------------------|-------------------------|-------------------|
|  | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total             |
| Low risk   | 13,863,000               | 12,757                  | –                       | 13,875,757        |
| Medium risk  | –                        | 406,080                 | –                       | 406,080           |
| High risk  | –                        | –                       | 208,069                 | 208,069           |
| Gross loans and advances   | <b>13,863,000</b>        | <b>418,837</b>          | <b>208,069</b>          | <b>14,489,906</b> |
| Allowances for impairment losses on loans and advances measured at amortised cost                                | <b>(211,912)</b>         | <b>(96,485)</b>         | <b>(144,146)</b>        | <b>(452,543)</b>  |
| Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income | <b>(1,083)</b>           | <b>(30)</b>             | –                       | <b>(1,113)</b>    |

## 56 Risk management (continued)

### (1) Credit risk (continued)

#### (g) Credit exposure (continued)

##### Loans and advances to customers (continued)

|   | 31 December 2018         |                         |                         | Total      |
|---|--------------------------|-------------------------|-------------------------|------------|
|   | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |            |
| Low risk  | 13,112,857               | 12,230                  | –                       | 13,125,087 |
| Medium risk   | 3,521                    | 383,909                 | –                       | 387,430    |
| High risk   | –                        | –                       | 200,881                 | 200,881    |
| Gross loans and advances  | 13,116,378               | 396,139                 | 200,881                 | 13,713,398 |
| Allowances for impairment losses on loans and advances measured at amortised cost | (183,615)                | (93,624)                | (140,384)               | (417,623)  |

The Group classifies asset risk characteristics according to the quality of assets. “Low risk” means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; “Medium risk” means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; “High risk” means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

##### Off-balance sheet business

|                                 | 30 June 2019             |                         |                         | Total     |
|---------------------------------|--------------------------|-------------------------|-------------------------|-----------|
|                                 | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |           |
| Low risk                        | 2,892,950                | –                       | –                       | 2,892,950 |
| Medium risk                     | –                        | 55,460                  | –                       | 55,460    |
| High risk                       | –                        | –                       | 5,255                   | 5,255     |
| Total carrying amount           | 2,892,950                | 55,460                  | 5,255                   | 2,953,665 |
| Allowance for impairment losses | (23,948)                 | (4,868)                 | (3,601)                 | (32,417)  |

|                                 | 31 December 2018         |                         |                         | Total     |
|---------------------------------|--------------------------|-------------------------|-------------------------|-----------|
|                                 | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |           |
| Low risk                        | 2,759,992                | –                       | –                       | 2,759,992 |
| Medium risk                     | –                        | 84,082                  | –                       | 84,082    |
| High risk                       | –                        | –                       | 4,650                   | 4,650     |
| Total carrying amount           | 2,759,992                | 84,082                  | 4,650                   | 2,848,724 |
| Allowance for impairment losses | (22,344)                 | (5,971)                 | (2,909)                 | (31,224)  |

The Group classifies asset risk characteristics according to the quality of assets. “Low risk” means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; “Medium risk” means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; “High risk” means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

## 56 Risk management (continued)

### (1) Credit risk (continued)

#### (g) Credit exposure (continued) Financial investments

|  | 30 June 2019             |                         |                         |           |
|--|--------------------------|-------------------------|-------------------------|-----------|
|  | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total     |
| Low risk   | 5,264,105                | –                       | –                       | 5,264,105 |
| Medium risk  | 23,118                   | 3,367                   | –                       | 26,485    |
| High risk  | –                        | 1,000                   | 5,309                   | 6,309     |
| Total carrying amount excluding accrued interest   | 5,287,223                | 4,367                   | 5,309                   | 5,296,899 |
| Allowance for impairment losses on financial investments measured at amortised cost                                | (5,681)                  | (218)                   | (2,264)                 | (8,163)   |
| Allowance for impairment losses on financial investments measured at fair value through other comprehensive income | (3,744)                  | –                       | –                       | (3,744)   |

  

|                                 | 31 December 2018         |                         |                         |           |
|---------------------------------|--------------------------|-------------------------|-------------------------|-----------|
|                                 | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total     |
| Low risk                        | 4,915,168                | –                       | –                       | 4,915,168 |
| Medium risk                     | 65,689                   | 222                     | –                       | 65,911    |
| High risk                       | –                        | 3,564                   | 2,590                   | 6,154     |
| Total carrying amount           | 4,980,857                | 3,786                   | 2,590                   | 4,987,233 |
| Allowance for impairment losses | (7,261)                  | (509)                   | (1,155)                 | (8,925)   |

The Group classifies financial investment risk characteristics based on asset entry and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, there are no reasons to suspect that the financial investment is expected to be defaulted; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to be defaulted; “High risk” means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.



**56 Risk management** (continued)

## (1) Credit risk (continued)

## (g) Credit exposure (continued)

*Amounts due from banks and non-bank financial institutions*

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

|  | 30 June 2019             |                         |                         |           |
|--|--------------------------|-------------------------|-------------------------|-----------|
|  | Stage 1<br>12 months ECL | Stage 2<br>lifetime ECL | Stage 3<br>lifetime ECL | Total     |
| Low risk   | 1,258,205                | –                       | –                       | 1,258,205 |
| Medium risk                                      | –                        | –                       | –                       | –         |
| High risk  | –                        | –                       | –                       | –         |
| Total carrying amount excluding accrued interest | 1,258,205                | –                       | –                       | 1,258,205 |
| Allowance for impairment losses                  | (361)                    | –                       | –                       | (361)     |

  

|                                 | 31 December 2018         |                         |                         |           |
|---------------------------------|--------------------------|-------------------------|-------------------------|-----------|
|                                 | Stage 1<br>12 months ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total     |
| Low risk                        | 1,038,909                | –                       | –                       | 1,038,909 |
| Medium risk                     | –                        | –                       | –                       | –         |
| High risk                       | –                        | –                       | –                       | –         |
| Total carrying amount           | 1,038,909                | –                       | –                       | 1,038,909 |
| Allowance for impairment losses | (388)                    | –                       | –                       | (388)     |

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset entry and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; “High risk” means that there are obvious problems may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

## 56 Risk management (continued)

### (1) Credit risk (continued)

(h) *Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:*

|                                  | 30 June 2019 | 31 December 2018 |
|----------------------------------|--------------|------------------|
| Credit impaired                  | –            | 1                |
| Allowances for impairment losses | –            | (1)              |
| Subtotal                         | –            | –                |
| Neither overdue nor impaired     |              |                  |
| – grades A to AAA                | 1,055,957    | 958,266          |
| – grades B to BBB                | 16,651       | 14,103           |
| – unrated                        | 185,597      | 61,345           |
| Accrued interest                 | 5,882        | 5,195            |
| Total                            | 1,264,087    | 1,038,909        |
| Allowances for impairment losses | (361)        | (388)            |
| Subtotal                         | 1,263,726    | 1,038,521        |
| Total                            | 1,263,726    | 1,038,521        |

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(i) *Distribution of debt investments analysed by rating*

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

|   | 30 June 2019 |           |        |         |              | Total     |
|---|--------------|-----------|--------|---------|--------------|-----------|
|   | Unrated      | AAA       | AA     | A       | Lower than A |           |
| Credit impaired                             |              |           |        |         |              |           |
| – Banks and non-bank financial institutions | 427          | –         | –      | –       | –            | 427       |
| – Enterprises                               | 5,322        | –         | –      | –       | –            | 5,322     |
| Total                                       | 5,749        | –         | –      | –       | –            | 5,749     |
| Allowances for impairment losses            |              |           |        |         |              | (2,264)   |
| Subtotal                                    |              |           |        |         |              | 3,485     |
| Neither overdue nor impaired                |              |           |        |         |              |           |
| – Government                                | 1,509,232    | 2,441,776 | 18,163 | 28,180  | 26,309       | 4,023,660 |
| – Central banks                             | 14,176       | 3,026     | 19,784 | 4,641   | 553          | 42,180    |
| – Policy banks                              | 758,225      | –         | 385    | 52,550  | –            | 811,160   |
| – Banks and non-bank financial institutions | 238,234      | 227,549   | 14,877 | 28,750  | 15,745       | 525,155   |
| – Enterprises                               | 186,596      | 290,056   | 27,458 | 19,071  | 6,226        | 529,407   |
| Total                                       | 2,706,463    | 2,962,407 | 80,667 | 133,192 | 48,833       | 5,931,562 |
| Allowances for impairment losses            |              |           |        |         |              | (5,899)   |
| Subtotal                                    |              |           |        |         |              | 5,925,663 |
| Total                                       |              |           |        |         |              | 5,929,148 |

**56 Risk management** (continued)**(1) Credit risk** (continued)*(i) Distribution of debt investments analysed by rating (continued)*

|   | 31 December 2018 |           |        |         |              | Total     |
|---|------------------|-----------|--------|---------|--------------|-----------|
|   | Unrated          | AAA       | AA     | A       | Lower than A |           |
| Credit impaired                             |                  |           |        |         |              |           |
| – Banks and non-bank financial institutions | 344              | –         | –      | –       | –            | 344       |
| – Enterprises                               | 2,246            | –         | –      | –       | –            | 2,246     |
| Total                                       | 2,590            | –         | –      | –       | –            | 2,590     |
| Allowances for impairment losses            |                  |           |        |         |              | (1,155)   |
| Subtotal                                    |                  |           |        |         |              | 1,435     |
| Neither overdue nor impaired                |                  |           |        |         |              |           |
| – Government                                | 1,512,484        | 2,186,322 | 13,049 | 20,556  | 25,719       | 3,758,130 |
| – Central banks                             | 16,362           | 4,549     | 16,735 | 853     | 400          | 38,899    |
| – Policy banks                              | 764,358          | 3,160     | 2,901  | 21,313  | –            | 791,732   |
| – Banks and non-bank financial institutions | 291,519          | 135,189   | 10,795 | 40,327  | 7,729        | 485,559   |
| – Enterprises                               | 238,441          | 262,728   | 14,652 | 19,278  | 5,465        | 540,564   |
| Total                                       | 2,823,164        | 2,591,948 | 58,132 | 102,327 | 39,313       | 5,614,884 |
| Allowances for impairment losses            |                  |           |        |         |              | (5,680)   |
| Subtotal                                    |                  |           |        |         |              | 5,609,204 |
| Total                                       |                  |           |        |         |              | 5,610,639 |

*(j) Credit risk arising from the Group's derivative exposures*

The majority of the Group's derivative transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

*(k) Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 56 Risk management (continued)

### (1) Credit risk (continued)

#### (i) Sensitivity analysis

The allowance for impairment losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, and other factors considered when applying expert credit judgement. Changes in these inputs, assumptions, models, and judgements would have an impact on the recognition of significant increase in credit risk and the measurement of ECLs.

#### (i) Sensitivity analysis of segmentation

The allowance for credit losses of performing financial assets consists of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECLs which are twelve-month ECLs and lifetime ECLs, respectively. A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2. The following table presents the impact of ECLs from the second year to the end of the lifetime for financial assets in Stage 2.

|                                  | 30 June 2019   |                    |             |
|----------------------------------|--|--------------------|-------------|
|                                  | 12 months credit loss of all performing financial assets | Impact of lifetime | Current ECL |
| Performing loans                 | 299,021  | 10,489             | 309,510     |
| Performing financial investments | 9,433  | 210                | 9,643       |
|                                  |  |                    |             |
|                                  | 31 December 2018   |                    |             |
|                                  | 12 months credit loss of all performing financial assets | Impact of lifetime | Current ECL |
| Performing loans                 | 267,782  | 9,457              | 277,239     |
| Performing financial investments | 7,266  | 504                | 7,770       |

#### (ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of benchmark core economic factors such as GDP. As at 30 June 2019, when the core economic factors in the neutral scenario are up or down by 10%, the ECLs of financial assets will not change by more than 5% (as at 31 December 2018: not change by more than 5%).

**56 Risk management** (continued)**(2) 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. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department and Financial Market Trading Center manage the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivative portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

**(a) VaR analysis**

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective periods is as follows:

| Note                            | Six months ended 30 June 2019 |            |            |            |
|---------------------------------|-------------------------------|------------|------------|------------|
|                                 | As at 30 June                 | Average    | Maximum    | Minimum    |
| <b>VaR of trading portfolio</b> | <b>321</b>                    | <b>320</b> | <b>341</b> | <b>288</b> |
| Of which:                       |                               |            |            |            |
| - Interest rate risk            | 103                           | 99         | 117        | 75         |
| - Foreign exchange risk         | 306                           | 298        | 335        | 251        |
| - Commodity risk                | 14                            | 14         | 31         | -          |
|                                 |                               |            |            |            |
| Note                            | Six months ended 30 June 2018 |            |            |            |
|                                 | As at 30 June                 | Average    | Maximum    | Minimum    |
| <b>VaR of trading portfolio</b> | 158                           | 120        | 158        | 92         |
| Of which:                       |                               |            |            |            |
| - Interest rate risk            | 44                            | 43         | 58         | 32         |
| - Foreign exchange risk         | 151                           | 113        | 151        | 77         |
| - Commodity risk                | -                             | 11         | 39         | -          |

(i) The VaR in relation to bullion is included in foreign exchange risk above.

## 56 Risk management (continued)

### (2) Market risk (continued)

#### (a) VaR analysis (continued)

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs are not added up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

#### (b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB59,460 million (as at 31 December 2018: RMB32,453 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB48,059 million (as at 31 December 2018: RMB69,138 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

## Notes to the Financial Statements

(Expressed in millions of RMB, unless otherwise stated)

### 56 Risk management (continued)

#### (2) Market risk (continued)

##### (c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the average interest rate ("AIR") for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

| Note   | 30 June 2019                         |                      |                     |                                   |                            |                      | Total             |
|--|--------------------------------------|----------------------|---------------------|-----------------------------------|----------------------------|----------------------|-------------------|
|  | Average interest rate <sup>(i)</sup> | Non-interest bearing | Within three months | Between three months and one year | Between one and five years | More than five years |                   |
| <b>Assets</b>  |                                      |                      |                     |                                   |                            |                      |                   |
| Cash and deposits with central banks                                   | 1.50%                                | 124,163              | 2,342,004           | –                                 | –                          | –                    | 2,466,167         |
| Deposits and placements with banks and non-bank financial institutions | 2.58%                                | 5,760                | 595,446             | 203,901                           | 8,393                      | –                    | 813,500           |
| Financial assets held under resale agreements                          | 2.46%                                | 122                  | 449,906             | 198                               | –                          | –                    | 450,226           |
| Loans and advances to customers  | (ii) 4.49%                           | 37,904               | 3,276,995           | 10,443,329                        | 212,730                    | 116,338              | 14,087,296        |
| Investments  | (iii) 3.65%                          | 222,986              | 514,682             | 601,932                           | 2,791,366                  | 1,930,509            | 6,061,475         |
| Others   |                                      | 504,487              | –                   | –                                 | –                          | –                    | 504,487           |
| <b>Total assets</b>  | <b>3.88%</b>                         | <b>895,422</b>       | <b>7,179,033</b>    | <b>11,249,360</b>                 | <b>3,012,489</b>           | <b>2,046,847</b>     | <b>24,383,151</b> |
| <b>Liabilities</b>   |                                      |                      |                     |                                   |                            |                      |                   |
| Borrowings from central banks  | 3.31%                                | 7,375                | 189,702             | 248,922                           | 770                        | –                    | 446,769           |
| Deposits and placements from banks and non-bank financial institutions | 2.52%                                | 13,694               | 1,580,700           | 271,188                           | 22,405                     | 6,371                | 1,894,358         |
| Financial liabilities measured at fair value through profit or loss    | 3.20%                                | 20,519               | 170,169             | 103,510                           | 7,302                      | –                    | 301,500           |
| Financial assets sold under repurchase agreements                      | 3.01%                                | 61                   | 27,123              | 3,599                             | 4,381                      | –                    | 35,164            |
| Deposits from customers  | 1.55%                                | 364,069              | 11,708,046          | 3,254,603                         | 2,879,212                  | 8,142                | 18,214,072        |
| Debt securities issued   | 3.63%                                | 10,612               | 230,701             | 233,873                           | 288,737                    | 25,435               | 789,358           |
| Others   |                                      | 629,892              | –                   | –                                 | –                          | –                    | 629,892           |
| <b>Total liabilities</b>   | <b>1.76%</b>                         | <b>1,046,222</b>     | <b>13,906,441</b>   | <b>4,115,695</b>                  | <b>3,202,807</b>           | <b>39,948</b>        | <b>22,311,113</b> |
| <b>Asset-liability gap</b>   | <b>2.12%</b>                         | <b>(150,800)</b>     | <b>(6,727,408)</b>  | <b>7,133,665</b>                  | <b>(190,318)</b>           | <b>2,006,899</b>     | <b>2,072,038</b>  |

## 56 Risk management (continued)

### (2) Market risk (continued)

#### (c) Interest rate repricing gap analysis (continued)

| 31 December 2018   |                                      |                      |                     |                                   |                            |                      |                   |
|--|--------------------------------------|----------------------|---------------------|-----------------------------------|----------------------------|----------------------|-------------------|
| Note   | Average interest rate <sup>(i)</sup> | Non-interest bearing | Within three months | Between three months and one year | Between one and five years | More than five years | Total             |
| <b>Assets</b>  |                                      |                      |                     |                                   |                            |                      |                   |
| Cash and deposits with central banks                                   | 1.53%                                | 119,043              | 2,513,820           | -                                 | -                          | -                    | 2,632,863         |
| Deposits and placements with banks and non-bank financial institutions | 3.34%                                | 5,050                | 664,234             | 159,581                           | 7,811                      | -                    | 836,676           |
| Financial assets held under resale agreements                          | 2.85%                                | 126                  | 201,719             | -                                 | -                          | -                    | 201,845           |
| Loans and advances to customers  | (ii) 4.34%                           | 36,798               | 8,324,410           | 4,827,130                         | 118,889                    | 58,203               | 13,365,430        |
| Investments  | (iii) 3.75%                          | 193,041              | 644,118             | 815,599                           | 2,428,596                  | 1,641,557            | 5,722,911         |
| Others   |                                      | 462,968              | -                   | -                                 | -                          | -                    | 462,968           |
| <b>Total assets</b>  | <b>3.82%</b>                         | <b>817,026</b>       | <b>12,348,301</b>   | <b>5,802,310</b>                  | <b>2,555,296</b>           | <b>1,699,760</b>     | <b>23,222,693</b> |
| <b>Liabilities</b>   |                                      |                      |                     |                                   |                            |                      |                   |
| Borrowings from central banks  | 3.21%                                | 8,947                | 205,692             | 338,978                           | 775                        | -                    | 554,392           |
| Deposits and placements from banks and non-bank financial institutions | 2.72%                                | 10,970               | 1,325,178           | 424,822                           | 80,644                     | 6,083                | 1,847,697         |
| Financial liabilities measured at fair value through profit or loss    | 3.42%                                | 22,977               | 233,450             | 165,395                           | 9,512                      | -                    | 431,334           |
| Financial assets sold under repurchase agreements                      | 2.87%                                | 154                  | 24,045              | 1,268                             | 4,611                      | 687                  | 30,765            |
| Deposits from customers  | 1.39%                                | 233,879              | 11,289,878          | 3,365,791                         | 2,210,178                  | 8,952                | 17,108,678        |
| Debt securities issued   | 3.62%                                | 4,905                | 289,858             | 197,857                           | 259,087                    | 24,078               | 775,785           |
| Others   |                                      | 482,448              | -                   | -                                 | -                          | -                    | 482,448           |
| <b>Total liabilities</b>   | <b>1.64%</b>                         | <b>764,280</b>       | <b>13,368,101</b>   | <b>4,494,111</b>                  | <b>2,564,807</b>           | <b>39,800</b>        | <b>21,231,099</b> |
| <b>Asset-liability gap</b>   | <b>2.18%</b>                         | <b>52,746</b>        | <b>(1,019,800)</b>  | <b>1,308,199</b>                  | <b>(9,511)</b>             | <b>1,659,960</b>     | <b>1,991,594</b>  |

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB61,431 million as at 30 June 2019 (as at 31 December 2018: RMB59,455 million).

(iii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.



## Notes to the Financial Statements

(Expressed in millions of RMB, unless otherwise stated)

### 56 Risk management (continued)

#### (2) Market risk (continued)

##### (d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact to the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

|  | Note  | 30 June 2019 |                         |                            | Total      |
|--|-------|--------------|-------------------------|----------------------------|------------|
|  |       | RMB          | USD<br>(RMB equivalent) | Others<br>(RMB equivalent) |            |
| <b>Assets</b>  |       |              |                         |                            |            |
| Cash and deposits with central banks                                   |       | 2,220,393    | 93,656                  | 152,118                    | 2,466,167  |
| Deposits and placements with banks and non-bank financial institutions | (i)   | 1,008,460    | 216,071                 | 39,195                     | 1,263,726  |
| Loans and advances to customers  |       | 13,131,196   | 540,266                 | 415,834                    | 14,087,296 |
| Investments  | (ii)  | 5,787,359    | 186,260                 | 87,856                     | 6,061,475  |
| Others   |       | 453,143      | 3,571                   | 47,773                     | 504,487    |
| Total assets   |       | 22,600,551   | 1,039,824               | 742,776                    | 24,383,151 |
| <b>Liabilities</b>   |       |              |                         |                            |            |
| Borrowings from central banks  |       | 382,196      | 38,229                  | 26,344                     | 446,769    |
| Deposits and placements from banks and non-bank financial institutions | (iii) | 1,436,918    | 360,183                 | 132,421                    | 1,929,522  |
| Financial liabilities measured at fair value through profit or loss    |       | 283,822      | 15,534                  | 2,144                      | 301,500    |
| Deposits from customers  |       | 17,435,556   | 449,150                 | 329,366                    | 18,214,072 |
| Debt securities issued   |       | 392,097      | 278,902                 | 118,359                    | 789,358    |
| Others   |       | 593,215      | 11,451                  | 25,226                     | 629,892    |
| Total liabilities  |       | 20,523,804   | 1,153,449               | 633,860                    | 22,311,113 |
| <b>Long position</b>   |       | 2,076,747    | (113,625)               | 108,916                    | 2,072,038  |
| Net notional amount of derivatives                                     |       | (341,524)    | 306,673                 | 50,059                     | 15,208     |
| Credit commitments   |       | 2,490,179    | 305,653                 | 157,833                    | 2,953,665  |

## 56 Risk management (continued)

### (2) Market risk (continued)

#### (d) Currency risk (continued)

|  | Note  | 31 December 2018  |                         |                            | Total             |
|--|-------|-------------------|-------------------------|----------------------------|-------------------|
|  |       | RMB               | USD<br>(RMB equivalent) | Others<br>(RMB equivalent) |                   |
| <b>Assets</b>  |       |                   |                         |                            |                   |
| Cash and deposits with central banks                                   |       | 2,412,254         | 116,273                 | 104,336                    | 2,632,863         |
| Deposits and placements with banks and non-bank financial institutions | (i)   | 800,852           | 198,616                 | 39,053                     | 1,038,521         |
| Loans and advances to customers  |       | 12,390,275        | 545,594                 | 429,561                    | 13,365,430        |
| Investments  | (ii)  | 5,452,573         | 174,263                 | 96,075                     | 5,722,911         |
| Others   |       | 395,762           | 48,020                  | 19,186                     | 462,968           |
| <b>Total assets</b>  |       | <b>21,451,716</b> | <b>1,082,766</b>        | <b>688,211</b>             | <b>23,222,693</b> |
| <b>Liabilities</b>   |       |                   |                         |                            |                   |
| Borrowings from central banks  |       | 503,669           | 33,184                  | 17,539                     | 554,392           |
| Deposits and placements from banks and non-bank financial institutions | (iii) | 1,433,725         | 309,123                 | 135,614                    | 1,878,462         |
| Financial liabilities measured at fair value through profit or loss    |       | 408,623           | 20,972                  | 1,739                      | 431,334           |
| Deposits from customers  |       | 16,347,860        | 442,304                 | 318,514                    | 17,108,678        |
| Debt securities issued   |       | 438,158           | 230,548                 | 107,079                    | 775,785           |
| Others   |       | 463,483           | 14,590                  | 4,375                      | 482,448           |
| <b>Total liabilities</b>   |       | <b>19,595,518</b> | <b>1,050,721</b>        | <b>584,860</b>             | <b>21,231,099</b> |
| <b>Long position</b>   |       | <b>1,856,198</b>  | <b>32,045</b>           | <b>103,351</b>             | <b>1,991,594</b>  |
| Net notional amount of derivatives                                     |       | (244,071)         | 270,379                 | (14,750)                   | 11,558            |
| Credit commitments   |       | 2,538,090         | 188,121                 | 122,513                    | 2,848,724         |

(i) Including financial assets held under resale agreements.

(ii) Please refer to Note 56(2)(c)(iii) for the scope of investments.

(iii) Including financial assets sold under repurchase agreements.

### (3) Liquidity risk

Liquidity risk is the risk that occurs when the Group cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet the other funding needs in regular business development. Major factors and events affecting liquidity risks include: massive outflow of wholesale or retail deposits, increase in wholesale or retail financing cost, debtor defaults, decrease in the liquidity of assets, and decrease in the financing ability, etc.

In managing liquidity risks, the decision-making system consists of the Bank's Board of Directors and its sub-committee, and senior management. The Head Office's ALM takes the lead in the daily management of the Bank's liquidity risks, and works along with the Financial Market Department, Channel and Operation Management Department, Data Management Department, Public Relations & Corporate Culture Department, Board of Directors' Office, management arms of business lines, and relevant divisions of the branches and subsidiaries to ensure proper execution of liquidity risk management actions. The Board of Supervisors and Audit Department constitute the supervisory component. These three units perform decision-making, execution and supervisory functions respectively in the Bank's liquidity risk management as per their roles and responsibilities.

The Group's objective for liquidity risk management is to guarantee the Group's payment and settlement security, and maintain an optimal balance between the Bank's liquidity position and profitability. Liquidity risks are managed on a consolidated basis, where the Head Office centrally manages the Bank's overall liquidity risks, and in light of regulatory requirements, external macro environment and the Bank's business development status, formulates liquidity risk management policies, including limit management, intraday liquidity risk management, stress testing and contingency planning. Subsidiaries are the primary owners of their own liquidity risk management.

The Group conducts stress testing on its liquidity risk position on a quarterly basis in order to gauge its risk tolerance in adverse situations, including improbable extreme scenarios. The results have shown that under stress scenarios, the Bank's liquidity risk increases but remains manageable.

## 56 Risk management (continued)

### (3) Liquidity risk (continued)

The Group uses a variety of methods to measure its liquidity risks, including liquidity index analysis, analysis of remaining contractual maturities and undiscounted cash flow analysis.

#### (a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

|  | 30 June 2019     |                     |                  |                              |                                   |                            |                      | Total             |
|--|------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|-------------------|
|  | Indefinite       | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |                   |
| <b>Assets</b>  |                  |                     |                  |                              |                                   |                            |                      |                   |
| Cash and deposits with central banks   | 2,103,274        | 361,887             | -                | 1,006                        | -                                 | -                          | -                    | 2,466,167         |
| Deposits and placements with banks and non-bank financial institutions       | -                | 83,836              | 380,424          | 134,269                      | 206,164                           | 8,747                      | 60                   | 813,500           |
| Financial assets held under resale agreements                                | -                | -                   | 446,847          | 3,181                        | 198                               | -                          | -                    | 450,226           |
| Loans and advances to customers  | 70,880           | 683,556             | 421,031          | 625,066                      | 3,022,708                         | 3,358,014                  | 5,906,041            | 14,087,296        |
| Investments  |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Financial assets measured at fair value through profit or loss             | 100,272          | 24,728              | 65,522           | 96,844                       | 183,712                           | 124,443                    | 82,626               | 678,147           |
| - Financial assets measured at amortised cost                                | -                | -                   | 70,180           | 114,064                      | 236,917                           | 1,809,704                  | 1,344,608            | 3,575,473         |
| - Financial assets measured at fair value through other comprehensive income | 4,442            | -                   | 49,044           | 93,520                       | 193,817                           | 948,219                    | 508,389              | 1,797,431         |
| - Long-term equity investments   | 10,424           | -                   | -                | -                            | -                                 | -                          | -                    | 10,424            |
| Others   | 275,291          | 93,572              | 7,470            | 21,711                       | 31,802                            | 17,866                     | 56,775               | 504,487           |
| <b>Total assets</b>  | <b>2,564,583</b> | <b>1,247,579</b>    | <b>1,440,518</b> | <b>1,089,661</b>             | <b>3,875,318</b>                  | <b>6,266,993</b>           | <b>7,898,499</b>     | <b>24,383,151</b> |
| <b>Liabilities</b>   |                  |                     |                  |                              |                                   |                            |                      |                   |
| Borrowings from central banks  | -                | -                   | 100,585          | 93,449                       | 251,965                           | 770                        | -                    | 446,769           |
| Deposits and placements from banks and non-bank financial institutions       | -                | 1,077,330           | 264,703          | 221,694                      | 277,340                           | 43,749                     | 9,542                | 1,894,358         |
| Financial liabilities measured at fair value through profit or loss          | -                | 17,671              | 121,178          | 50,789                       | 104,468                           | 7,394                      | -                    | 301,500           |
| Financial assets sold under repurchase agreements                            | -                | -                   | 24,885           | 2,271                        | 3,609                             | 4,399                      | -                    | 35,164            |
| Deposits from customers  | -                | 10,967,027          | 853,287          | 864,065                      | 2,496,900                         | 3,022,579                  | 10,214               | 18,214,072        |
| Debt securities issued   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Certificates of deposit issued   | -                | -                   | 75,726           | 134,922                      | 171,117                           | 11,766                     | -                    | 393,531           |
| - Bonds issued   | -                | -                   | 4,202            | 1,180                        | 25,505                            | 77,967                     | 5,493                | 114,347           |
| - Subordinated bonds issued  | -                | -                   | -                | 15,567                       | 23,204                            | 82,684                     | -                    | 121,455           |
| - Eligible Tier 2 capital bonds issued                                       | -                | -                   | -                | -                            | 15,802                            | 123,196                    | 21,027               | 160,025           |
| Others   | 7,625            | 270,767             | 48,878           | 41,685                       | 174,061                           | 20,623                     | 66,253               | 629,892           |
| <b>Total liabilities</b>   | <b>7,625</b>     | <b>12,332,795</b>   | <b>1,493,444</b> | <b>1,425,622</b>             | <b>3,543,971</b>                  | <b>3,395,127</b>           | <b>112,529</b>       | <b>22,311,113</b> |
| <b>Net gaps</b>  | <b>2,556,958</b> | <b>(11,085,216)</b> | <b>(52,926)</b>  | <b>(335,961)</b>             | <b>331,347</b>                    | <b>2,871,866</b>           | <b>7,785,970</b>     | <b>2,072,038</b>  |
| Notional amount of derivatives   |                  |                     |                  |                              |                                   |                            |                      |                   |
| - Interest rate contracts  | -                | -                   | 49,964           | 17,055                       | 144,702                           | 109,232                    | 11,856               | 332,809           |
| - Exchange rate contracts  | -                | -                   | 1,138,493        | 966,506                      | 2,169,836                         | 143,168                    | 4,769                | 4,422,772         |
| - Other contracts  | -                | -                   | 13,517           | 21,205                       | 19,842                            | 2,948                      | -                    | 57,512            |
| <b>Total</b>   | <b>-</b>         | <b>-</b>            | <b>1,201,974</b> | <b>1,004,766</b>             | <b>2,334,380</b>                  | <b>255,348</b>             | <b>16,625</b>        | <b>4,813,093</b>  |

## 56 Risk management (continued)

### (3) Liquidity risk (continued)

#### (a) Maturity analysis (continued)

|  | 31 December 2018 |                        |                     |                                    |  |                                  |                         |                   |
|--|------------------|------------------------|---------------------|------------------------------------|--|----------------------------------|-------------------------|-------------------|
|  | Indefinite       | Repayable<br>on demand | Within<br>one month | Between<br>one and<br>three months | Between<br>three months<br>and<br>one year | Between<br>one and<br>five years | More than<br>five years | Total             |
| <b>Assets</b>  |                  |                        |                     |                                    |  |                                  |                         |                   |
| Cash and deposits with central banks   | 2,177,053        | 454,640                | -                   | 1,170                              | -  | -                                | -                       | 2,632,863         |
| Deposits and placements with banks and non-bank financial institutions       | -                | 82,941                 | 492,206             | 93,405                             | 160,187                                    | 7,937                            | -                       | 836,676           |
| Financial assets held under resale agreements                                | -                | -                      | 201,103             | 742                                | -  | -                                | -                       | 201,845           |
| Loans and advances to customers  | 70,252           | 717,226                | 475,109             | 567,815                            | 2,799,488                                  | 3,203,135                        | 5,532,405               | 13,365,430        |
| Investments  |                  |                        |                     |                                    |  |                                  |                         |                   |
| - Financial assets measured at fair value through profit or loss             | 85,036           | 31,322                 | 76,537              | 104,992                            | 227,632                                    | 144,658                          | 61,040                  | 731,217           |
| - Financial assets measured at amortised cost                                | -                | -                      | 82,489              | 57,223                             | 274,510                                    | 1,704,067                        | 1,154,225               | 3,272,514         |
| - Financial assets measured at fair value through other comprehensive income | 3,294            | -                      | 18,383              | 48,472                             | 246,776                                    | 888,772                          | 505,481                 | 1,711,178         |
| - Long-term equity investments   | 8,002            | -                      | -                   | -                                  | -  | -                                | -                       | 8,002             |
| Others   | 252,935          | 50,974                 | 14,966              | 27,156                             | 52,093                                     | 16,831                           | 48,013                  | 462,968           |
| <b>Total assets</b>  | <b>2,596,572</b> | <b>1,337,103</b>       | <b>1,360,793</b>    | <b>900,975</b>                     | <b>3,760,686</b>                           | <b>5,965,400</b>                 | <b>7,301,164</b>        | <b>23,222,693</b> |
| <b>Liabilities</b>   |                  |                        |                     |                                    |  |                                  |                         |                   |
| Borrowings from central banks  | -                | -                      | 99,813              | 109,258                            | 344,546                                    | 775                              | -                       | 554,392           |
| Deposits and placements from banks and non-bank financial institutions       | -                | 929,855                | 246,048             | 152,645                            | 427,102                                    | 83,943                           | 8,104                   | 1,847,697         |
| Financial liabilities measured at fair value through profit or loss          | -                | 18,839                 | 148,784             | 87,018                             | 167,065                                    | 9,628                            | -                       | 431,334           |
| Financial assets sold under repurchase agreements                            | -                | -                      | 23,189              | 918                                | 1,274                                      | 4,694                            | 690                     | 30,765            |
| Deposits from customers  | -                | 10,372,640             | 873,288             | 926,854                            | 2,545,389                                  | 2,368,005                        | 22,502                  | 17,108,678        |
| Debt securities issued   |                  |                        |                     |                                    |  |                                  |                         |                   |
| - Certificates of deposit issued   | -                | -                      | 66,392              | 133,875                            | 155,634                                    | 16,458                           | -                       | 372,359           |
| - Bonds issued   | -                | -                      | -                   | 16                                 | 13,669                                     | 94,526                           | 4,095                   | 112,306           |
| - Subordinated bonds issued  | -                | -                      | -                   | 28,952                             | 35,742                                     | 82,278                           | -                       | 146,972           |
| - Eligible Tier 2 capital bonds issued                                       | -                | -                      | -                   | -                                  | 2,011                                      | 121,709                          | 20,428                  | 144,148           |
| Others   | 485              | 162,924                | 47,670              | 47,416                             | 174,763                                    | 1,389                            | 47,801                  | 482,448           |
| <b>Total liabilities</b>   | <b>485</b>       | <b>11,484,258</b>      | <b>1,505,184</b>    | <b>1,486,952</b>                   | <b>3,867,195</b>                           | <b>2,783,405</b>                 | <b>103,620</b>          | <b>21,231,099</b> |
| <b>Net gaps</b>  | <b>2,596,087</b> | <b>(10,147,155)</b>    | <b>(144,391)</b>    | <b>(585,977)</b>                   | <b>(106,509)</b>                           | <b>3,181,995</b>                 | <b>7,197,544</b>        | <b>1,991,594</b>  |
| Notional amount of derivatives   |                  |                        |                     |                                    |  |                                  |                         |                   |
| - Interest rate contracts  | -                | -                      | 64,199              | 47,984                             | 96,775                                     | 82,458                           | 10,906                  | 302,322           |
| - Exchange rate contracts  | -                | -                      | 1,203,631           | 872,879                            | 2,738,985                                  | 127,182                          | 4,763                   | 4,947,440         |
| - Other contracts  | -                | -                      | 33,130              | 31,688                             | 22,014                                     | 2,493                            | -                       | 89,325            |
| <b>Total</b>   | <b>-</b>         | <b>-</b>               | <b>1,300,960</b>    | <b>952,551</b>                     | <b>2,857,774</b>                           | <b>212,133</b>                   | <b>15,669</b>           | <b>5,339,087</b>  |

## Notes to the Financial Statements

(Expressed in millions of RMB, unless otherwise stated)

### 56 Risk management (continued)

#### (3) Liquidity risk (continued)

##### (b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

|  | 30 June 2019      |                    |                     |                  |                              |                                   |                            |                      |
|--|-------------------|--------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|
|  | Carrying amount   | Gross cash outflow | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |
| <b>Non-derivative financial liabilities</b>                            |                   |                    |                     |                  |                              |                                   |                            |                      |
| Borrowings from central banks  | 446,769           | 452,509            | –                   | 100,859          | 94,020                       | 256,860                           | 770                        | –                    |
| Deposits and placements from banks and non-bank financial institutions | 1,894,358         | 1,919,182          | 1,077,330           | 269,368          | 223,654                      | 283,974                           | 52,113                     | 12,743               |
| Financial liabilities measured at fair value through profit or loss    | 301,500           | 304,402            | 17,671              | 121,638          | 51,089                       | 106,191                           | 7,813                      | –                    |
| Financial assets sold under repurchase agreements                      | 35,164            | 36,299             | –                   | 24,907           | 2,281                        | 3,669                             | 5,442                      | –                    |
| Deposits from customers  | 18,214,072        | 18,724,261         | 10,967,655          | 866,533          | 894,075                      | 2,613,914                         | 3,371,094                  | 10,990               |
| Debt securities issued   |                   |                    |                     |                  |                              |                                   |                            |                      |
| – Certificates of deposit issued                                       | 393,531           | 396,846            | –                   | 76,595           | 136,038                      | 172,364                           | 11,849                     | –                    |
| – Bonds issued   | 114,347           | 121,951            | –                   | 4,507            | 1,590                        | 27,770                            | 82,073                     | 6,011                |
| – Subordinated bonds issued  | 121,455           | 133,728            | –                   | –                | 15,642                       | 27,676                            | 90,410                     | –                    |
| – Eligible Tier 2 capital bonds issued                                 | 160,025           | 187,565            | –                   | –                | 3,556                        | 19,407                            | 143,419                    | 21,183               |
| Other non-derivative financial liabilities                             | 357,631           | 357,631            | 87,561              | 32,854           | 29,857                       | 130,892                           | 12,822                     | 63,645               |
| <b>Total</b>   | <b>22,038,852</b> | <b>22,634,374</b>  | <b>12,150,217</b>   | <b>1,497,261</b> | <b>1,451,802</b>             | <b>3,642,717</b>                  | <b>3,777,805</b>           | <b>114,572</b>       |
| Off-balance sheet loan commitments and credit card commitments (Note)  |                   | 1,489,286          | 968,920             | 82,205           | 17,305                       | 107,063                           | 127,028                    | 186,765              |
| Guarantees, acceptances and other credit commitments (Note)            |                   | 1,464,379          | –                   | 283,508          | 182,639                      | 561,391                           | 427,070                    | 9,771                |

## 56 Risk management (continued)

### (3) Liquidity risk (continued)

#### (b) Contractual undiscounted cash flow (continued)

|  | 31 December 2018  |                    |                     |                  |                              |                                   |                            |                      |
|--|-------------------|--------------------|---------------------|------------------|------------------------------|-----------------------------------|----------------------------|----------------------|
|  | Carrying amount   | Gross cash outflow | Repayable on demand | Within one month | Between one and three months | Between three months and one year | Between one and five years | More than five years |
| <b>Non-derivative financial liabilities</b>                            |                   |                    |                     |                  |                              |                                   |                            |                      |
| Borrowings from central banks  | 554,392           | 562,405            | –                   | 100,667          | 110,809                      | 350,154                           | 775                        | –                    |
| Deposits and placements from banks and non-bank financial institutions | 1,847,697         | 1,878,423          | 930,363             | 246,832          | 155,573                      | 441,916                           | 93,123                     | 10,616               |
| Financial liabilities measured at fair value through profit or loss    | 431,334           | 438,124            | 18,839              | 151,389          | 87,702                       | 169,994                           | 10,200                     | –                    |
| Financial assets sold under repurchase agreements                      | 30,765            | 32,323             | –                   | 23,209           | 926                          | 1,405                             | 5,782                      | 1,001                |
| Deposits from customers  | 17,108,678        | 17,367,636         | 10,373,070          | 883,249          | 941,884                      | 2,615,420                         | 2,529,230                  | 24,783               |
| Debt securities issued   |                   |                    |                     |                  |                              |                                   |                            |                      |
| – Certificates of deposit issued                                       | 372,359           | 378,674            | –                   | 66,811           | 135,146                      | 159,820                           | 16,897                     | –                    |
| – Bonds issued   | 112,306           | 121,149            | –                   | 258              | 433                          | 16,153                            | 100,205                    | 4,100                |
| – Subordinated bonds issued  | 146,972           | 163,059            | –                   | –                | 29,230                       | 41,479                            | 92,350                     | –                    |
| – Eligible Tier 2 capital bonds issued                                 | 144,148           | 172,588            | –                   | –                | –                            | 8,756                             | 142,636                    | 21,196               |
| Other non-derivative financial liabilities                             | 317,810           | 317,810            | 84,604              | 34,266           | 28,583                       | 122,706                           | –                          | 47,651               |
| <b>Total</b>   | <b>21,066,461</b> | <b>21,432,191</b>  | <b>11,406,876</b>   | <b>1,506,681</b> | <b>1,490,286</b>             | <b>3,927,803</b>                  | <b>2,991,198</b>           | <b>109,347</b>       |
| Off-balance sheet loan commitments and credit card commitments (Note)  |                   | 1,380,603          | 1,126,654           | 93,138           | 27,583                       | 24,320                            | 79,865                     | 29,043               |
| Guarantees, acceptances and other credit commitments (Note)            |                   | 1,468,121          | –                   | 226,985          | 176,721                      | 442,485                           | 591,866                    | 30,064               |

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

### (4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In the first half of 2019, the Group continuously promoted the application of management tools and system optimisation, strengthened the prevention and control of operational risk in key areas, and took multiple measures to reduce operational risk events and losses.

- Continuously promoted the application of management tools, such as operational loss data, self-assessment, and key risk indicators.
- Developed the system function for recording losses from non-compliance, and focused on the recording, analysis, monitoring and reporting of regulatory penalties.
- Revised the policies for incompatible positions and re-examined the manuals.
- Made arrangements for job rotations and mandatory leave for key positions. Periodically reviewed the status of implementation.
- Enhanced the code of conduct for employees, advocated integrity, accountability and diligence to strengthen operational risk prevention capabilities.
- Revised business continuity management policies and successively launched the business continuity system.

## 56 Risk management (continued)

### (5) Fair value of financial instruments

#### (a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the six months ended 30 June 2019, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2018.

#### (b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## 56 Risk management (continued)

### (5) Fair value of financial instruments (continued)

#### (c) Financial instruments measured at fair value

##### (i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

|  | 30 June 2019   |                  |                |                  |
|--|----------------|------------------|----------------|------------------|
|  | Level 1        | Level 2          | Level 3        | Total            |
| <b>Assets</b>  |                |                  |                |                  |
| Positive fair value of derivatives   | -              | 28,904           | 58             | 28,962           |
| Loans and advances to customers  |                |                  |                |                  |
| – Loans and advances to customers measured at fair value through profit or loss              | -              | 12,029           | -              | 12,029           |
| – Loans and advances to customers measured at fair value through other comprehensive income  | -              | 454,457          | -              | 454,457          |
| Financial assets measured at fair value through profit or loss                               |                |                  |                |                  |
| <i>Financial assets held for trading purposes</i>  |                |                  |                |                  |
| – Debt securities  | 1,333          | 252,841          | -              | 254,174          |
| – Equity instruments and funds   | 1,151          | -                | -              | 1,151            |
| <i>Financial assets designated as measured at fair value through profit or loss</i>          |                |                  |                |                  |
| – Debt securities  | 651            | -                | 10,501         | 11,152           |
| – Other debt instruments   | -              | 156,131          | 67,173         | 223,304          |
| <i>Other financial assets measured at fair value through profit or loss</i>                  |                |                  |                |                  |
| – Credit investments   | -              | 13,610           | 3,821          | 17,431           |
| – Debt securities  | -              | 54,537           | 88             | 54,625           |
| – Funds and others   | 34,178         | 36,054           | 46,078         | 116,310          |
| Financial assets measured at fair value through other comprehensive income                   |                |                  |                |                  |
| – Debt securities  | 190,036        | 1,602,953        | -              | 1,792,989        |
| – Equity instruments designated as measured at fair value through other comprehensive income | 2,157          | -                | 2,285          | 4,442            |
| <b>Total</b>   | <b>229,506</b> | <b>2,611,516</b> | <b>130,004</b> | <b>2,971,026</b> |
| <b>Liabilities</b>   |                |                  |                |                  |
| Financial liabilities measured at fair value through profit or loss                          |                |                  |                |                  |
| – Financial liabilities designated as measured at fair value through profit or loss          | -              | 299,490          | 2,010          | 301,500          |
| Negative fair value of derivatives   | -              | 27,959           | 58             | 28,017           |
| <b>Total</b>   | <b>-</b>       | <b>327,449</b>   | <b>2,068</b>   | <b>329,517</b>   |



## Notes to the Financial Statements

(Expressed in millions of RMB, unless otherwise stated)

### 56 Risk management (continued)

#### (5) Fair value of financial instruments (continued)

##### (c) Financial instruments measured at fair value (continued)

##### (i) Fair value hierarchy (continued)

|  | 31 December 2018 |                  |                |                  |
|--|------------------|------------------|----------------|------------------|
|  | Level 1          | Level 2          | Level 3        | Total            |
| <b>Assets</b>  |                  |                  |                |                  |
| Positive fair value of derivatives   | –                | 50,566           | 35             | 50,601           |
| Loans and advances to customers  |                  |                  |                |                  |
| – Loans and advances to customers measured at fair value through profit or loss              | –                | 32,857           | –              | 32,857           |
| – Loans and advances to customers measured at fair value through other comprehensive income  | –                | 308,368          | –              | 308,368          |
| Financial assets measured at fair value through profit or loss                               |                  |                  |                |                  |
| <i>Financial assets held for trading purposes</i>  |                  |                  |                |                  |
| – Debt securities  | 1,711            | 217,046          | –              | 218,757          |
| – Equity instruments and funds   | 1,706            | –                | –              | 1,706            |
| <i>Financial assets designated as measured at fair value through profit or loss</i>          |                  |                  |                |                  |
| – Debt securities  | 595              | –                | 14,314         | 14,909           |
| – Other debt instruments   | –                | 265,938          | 84,640         | 350,578          |
| <i>Other financial assets measured at fair value through profit or loss</i>                  |                  |                  |                |                  |
| – Credit investments   | –                | 13,004           | 1,253          | 14,257           |
| – Debt securities  | –                | 31,553           | 187            | 31,740           |
| – Funds and others   | 28,300           | 27,009           | 43,961         | 99,270           |
| Financial assets measured at fair value through other comprehensive income                   |                  |                  |                |                  |
| – Debt securities  | 187,632          | 1,520,252        | –              | 1,707,884        |
| – Equity instruments designated as measured at fair value through other comprehensive income | 1,819            | 73               | 1,402          | 3,294            |
| <b>Total</b>   | <b>221,763</b>   | <b>2,466,666</b> | <b>145,792</b> | <b>2,834,221</b> |
| <b>Liabilities</b>   |                  |                  |                |                  |
| Financial liabilities measured at fair value through profit or loss                          |                  |                  |                |                  |
| – Financial liabilities designated as measured at fair value through profit or loss          | –                | 429,706          | 1,628          | 431,334          |
| Negative fair value of derivatives   | –                | 48,490           | 35             | 48,525           |
| <b>Total</b>   | <b>–</b>         | <b>478,196</b>   | <b>1,663</b>   | <b>479,859</b>   |

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed wealth management products, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets at fair value through profit or loss classified as level 3 are the underlying assets of principal guaranteed wealth management products. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate.

For the six months ended 30 June 2019 and for the year ended 31 December 2018, there were no significant transfers within the fair value hierarchy of the Group.

## 56 Risk management (continued)

### (5) Fair value of financial instruments (continued)

#### (c) Financial instruments measured at fair value (continued)

##### (ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

|                               | Six months ended 30 June 2019      |  |                        |  |                 |                  |  |              |                                    |   |                   |
|-------------------------------|------------------------------------|--|------------------------|--|-----------------|------------------|--|--------------|------------------------------------|---|-------------------|
|                               | Positive fair value of derivatives | Financial assets designated as measured at fair value through profit or loss |                        | Other financial assets measured at fair value through profit or loss |                 |                  | Equity instruments designated as measured at fair value through other comprehensive income | Total assets | Negative fair value of derivatives | Financial liabilities designated as measured at fair value through profit or loss | Total liabilities |
|                               |                                    | Debt securities  | Other debt instruments | Credit investments   | Debt securities | Funds and others |  |              |                                    |   |                   |
| As at 1 January 2019          | 35                                 | 14,314   | 84,640                 | 1,253  | 187             | 43,961           | 1,402  | 145,792      | (35)                               | (1,628)   | (1,663)           |
| Total gains or losses:        |                                    |  |                        |  |                 |                  |  |              |                                    |   |                   |
| In profit or loss             | 23                                 | (215)  | (65)                   | 19   | (3)             | 1,732            | -  | 1,491        | (23)                               | 12  | (11)              |
| In other comprehensive income | -                                  | -  | -                      | -  | -               | -                | 49   | 49           | -                                  | -   | -                 |
| Purchases                     | -                                  | -  | 3,620                  | 2,549  | 15              | 16,661           | 836  | 23,681       | -                                  | (476)   | (476)             |
| Sales and settlements         | -                                  | (3,598)  | (21,022)               | -  | (111)           | (16,276)         | (2)  | (41,009)     | -                                  | 82  | 82                |
| As at 30 June 2019            | 58                                 | 10,501   | 67,173                 | 3,821  | 88              | 46,078           | 2,285  | 130,004      | (58)                               | (2,010)   | (2,068)           |

  

|                               | 2018                               |  |                        |  |                 |                  |  |              |                                    |   |                   |
|-------------------------------|------------------------------------|--|------------------------|--|-----------------|------------------|--|--------------|------------------------------------|---|-------------------|
|                               | Positive fair value of derivatives | Financial assets designated as measured at fair value through profit or loss |                        | Other financial assets measured at fair value through profit or loss |                 |                  | Equity instruments designated as measured at fair value through other comprehensive income | Total assets | Negative fair value of derivatives | Financial liabilities designated as measured at fair value through profit or loss | Total liabilities |
|                               |                                    | Debt securities  | Other debt instruments | Credit investments   | Debt securities | Funds and others |  |              |                                    |   |                   |
| As at 1 January 2018          | 99                                 | 10,164   | 125,395                | 267  | 1,098           | 19,462           | 623  | 157,108      | (98)                               | (472)   | (570)             |
| Total gains or losses:        |                                    |  |                        |  |                 |                  |  |              |                                    |   |                   |
| In profit or loss             | (17)                               | (135)  | 235                    | (85)   | (194)           | (1,106)          | -  | (1,302)      | 17                                 | 146   | 163               |
| In other comprehensive income | -                                  | -  | -                      | -  | -               | -                | 18   | 18           | -                                  | -   | -                 |
| Purchases                     | -                                  | 7,263  | 487,445                | 1,073  | -               | 34,688           | 761  | 531,230      | -                                  | (1,414)   | (1,414)           |
| Sales and settlements         | (47)                               | (2,978)  | (528,435)              | (2)  | (717)           | (9,083)          | -  | (541,262)    | 46                                 | 112   | 158               |
| As at 31 December 2018        | 35                                 | 14,314   | 84,640                 | 1,253  | 187             | 43,961           | 1,402  | 145,792      | (35)                               | (1,628)   | (1,663)           |

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

|             | Six months ended 30 June 2019 |            |       | Six months ended 30 June 2018 |            |       |
|-------------|-------------------------------|------------|-------|-------------------------------|------------|-------|
|             | Realised                      | Unrealised | Total | Realised                      | Unrealised | Total |
| Total gains | 1,091                         | 389        | 1,480 | 1,789                         | 1,015      | 2,804 |

**56 Risk management** (continued)**(5) Fair value of financial instruments** (continued)*(d) Financial instruments not measured at fair value**(i) Financial assets*

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 30 June 2019 and 31 December 2018 which are not presented in the statement of financial position at their fair values.

|   | 30 June 2019   |            |         |           |         | 31 December 2018 |            |         |           |         |
|---|----------------|------------|---------|-----------|---------|------------------|------------|---------|-----------|---------|
|   | Carrying value | Fair value | Level 1 | Level 2   | Level 3 | Carrying value   | Fair value | Level 1 | Level 2   | Level 3 |
| Financial assets measured at amortised cost | 3,575,473      | 3,612,961  | 25,790  | 3,449,955 | 137,216 | 3,272,514        | 3,272,774  | 47,794  | 3,156,789 | 68,191  |
| Total                                       | 3,575,473      | 3,612,961  | 25,790  | 3,449,955 | 137,216 | 3,272,514        | 3,272,774  | 47,794  | 3,156,789 | 68,191  |

*(ii) Financial liabilities*

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 30 June 2019 was RMB287,758 million (as at 31 December 2018: RMB293,466 million) and the carrying value was RMB281,591 million (as at 31 December 2018: RMB291,104 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the Level 2 of the fair value hierarchy.

**(6) Offsetting financial assets and financial liabilities**

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 30 June 2019, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

**(7) Insurance risk**

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

## 56 Risk management (continued)

### (7) Insurance risk (continued)

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholder's behaviour and decision.

### (8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tump capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's "Capital Rules for Commercial Banks (Provisional)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, the CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal ratings-based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal model approach for market risk and standardised approach for operational risk exposure.

## 56 Risk management (continued)

### (8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

|  | Note      | 30 June 2019      | 31 December 2018 |
|--|-----------|-------------------|------------------|
| <b>Common Equity Tier 1 ratio</b>  | (a)(b)(c) | <b>13.70%</b>     | 13.83%           |
| <b>Tier 1 ratio</b>  | (a)(b)(c) | <b>14.25%</b>     | 14.42%           |
| <b>Total capital ratio</b>   | (a)(b)(c) | <b>17.06%</b>     | 17.19%           |
| <b>Common Equity Tier 1 capital</b>  |           |                   |                  |
| – Qualifying common share capital  |           | <b>250,011</b>    | 250,011          |
| – Capital reserve  |           | <b>134,511</b>    | 134,511          |
| – Surplus reserve  |           | <b>223,231</b>    | 223,231          |
| – General reserve  |           | <b>279,946</b>    | 279,627          |
| – Retained earnings  |           | <b>1,065,973</b>  | 989,113          |
| – Non-controlling interest recognised in Common Equity Tier 1 capital  |           | <b>2,946</b>      | 2,744            |
| – Others   | (d)       | <b>21,345</b>     | 19,836           |
| <b>Deductions for Common Equity Tier 1 capital</b>   |           |                   |                  |
| – Goodwill   | (e)       | <b>2,585</b>      | 2,572            |
| – Other intangible assets (excluding land use rights)  | (e)       | <b>3,064</b>      | 3,156            |
| – Cash flow hedge reserve  |           | <b>(121)</b>      | 53               |
| – Investments in common equity of financial institutions being controlled but outside the scope of consolidation |           | <b>6,970</b>      | 3,902            |
| <b>Additional Tier 1 capital</b>   |           |                   |                  |
| – Other directly issued qualifying additional Tier 1 instruments including related premium                       |           | <b>79,636</b>     | 79,636           |
| – Non-controlling interest recognised in Additional Tier 1 capital   |           | <b>85</b>         | 84               |
| <b>Tier 2 capital</b>  |           |                   |                  |
| – Directly issued qualifying Tier 2 instruments including related premium  |           | <b>203,263</b>    | 206,615          |
| – Provisions in Tier 2   | (f)       | <b>199,703</b>    | 172,788          |
| – Non-controlling interest recognised in Tier 2 capital  |           | <b>136</b>        | 133              |
| <b>Common Equity Tier 1 capital after regulatory adjustments</b>   | (g)       | <b>1,965,465</b>  | 1,889,390        |
| <b>Tier 1 capital after regulatory adjustments</b>   | (g)       | <b>2,045,186</b>  | 1,969,110        |
| <b>Total capital after regulatory adjustments</b>  | (g)       | <b>2,448,288</b>  | 2,348,646        |
| <b>Risk-weighted assets</b>  | (h)       | <b>14,348,040</b> | 13,659,497       |

Notes:

- From the first half year of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.
- The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after regulatory adjustments by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after regulatory adjustments by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after regulatory adjustments by risk-weighted assets.
- The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).
- As at 30 June 2019 and 31 December 2018, others include other comprehensive income (including foreign exchange reserve).
- Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
- From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.
- Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.
- According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

## 57 Statement of financial position and statement of changes in equity of the Bank

|  | 30 June 2019<br>(Unaudited) | 31 December 2018<br>(Audited) |
|--|-----------------------------|-------------------------------|
| <b>Assets:</b>   |                             |                               |
| Cash and deposits with central banks                                       | 2,456,349                   | 2,619,762                     |
| Deposits with banks and non-bank financial institutions                    | 345,859                     | 463,059                       |
| Precious metals  | 36,911                      | 33,928                        |
| Placements with banks and non-bank financial institutions                  | 442,549                     | 354,876                       |
| Positive fair value of derivatives   | 26,442                      | 47,470                        |
| Financial assets held under resale agreements                              | 439,111                     | 183,161                       |
| Loans and advances to customers  | 13,632,305                  | 12,869,443                    |
| Financial investments  |                             |                               |
| Financial assets measured at fair value through profit or loss             | 402,300                     | 529,223                       |
| Financial assets measured at amortised cost                                | 3,555,468                   | 3,206,630                     |
| Financial assets measured at fair value through other comprehensive income | 1,700,442                   | 1,614,375                     |
| Long-term equity investments   | 65,270                      | 50,270                        |
| Investments in consolidated structured entities                            | 157,725                     | 161,638                       |
| Fixed assets   | 135,516                     | 140,865                       |
| Land use rights  | 13,195                      | 13,443                        |
| Intangible assets  | 2,632                       | 2,690                         |
| Deferred tax assets  | 60,563                      | 55,217                        |
| Other assets   | 202,167                     | 147,305                       |
| <b>Total assets</b>  | <b>23,674,804</b>           | <b>22,493,355</b>             |
| <b>Liabilities:</b>  |                             |                               |
| Borrowings from central banks  | 446,768                     | 554,392                       |
| Deposits from banks and non-bank financial institutions                    | 1,447,250                   | 1,410,847                     |
| Placements from banks and non-bank financial institutions                  | 375,105                     | 323,535                       |
| Financial liabilities measured at fair value through profit or loss        | 299,362                     | 429,595                       |
| Negative fair value of derivatives   | 27,052                      | 47,024                        |
| Financial assets sold under repurchase agreements                          | 10,419                      | 8,407                         |
| Deposits from customers  | 17,917,060                  | 16,795,736                    |
| Accrued staff costs  | 28,942                      | 32,860                        |
| Taxes payable  | 50,197                      | 74,110                        |
| Provisions   | 37,426                      | 36,130                        |
| Debt securities issued   | 717,558                     | 702,038                       |
| Deferred tax liabilities   | 4                           | 6                             |
| Other liabilities  | 308,407                     | 141,985                       |
| <b>Total liabilities</b>   | <b>21,665,550</b>           | <b>20,556,665</b>             |

## 57 Statement of financial position and statement of changes in equity of the Bank (continued)

|                                     | 30 June 2019<br>(Unaudited) | 31 December 2018<br>(Audited) |
|-------------------------------------|-----------------------------|-------------------------------|
| <b>Equity:</b>                      |                             |                               |
| Share capital                       | 250,011                     | 250,011                       |
| Other equity instruments            |                             |                               |
| Preference Shares                   | 79,636                      | 79,636                        |
| Capital reserve                     | 135,109                     | 135,109                       |
| Other comprehensive income          | 22,760                      | 21,539                        |
| Surplus reserve                     | 223,231                     | 223,231                       |
| General reserve                     | 272,899                     | 272,867                       |
| Retained earnings                   | 1,025,608                   | 954,297                       |
| <b>Total equity</b>                 | <b>2,009,254</b>            | 1,936,690                     |
| <b>Total liabilities and equity</b> | <b>23,674,804</b>           | 22,493,355                    |

Approved and authorised for issue by the Board of Directors on 28 August 2019.

**Liu Guiping**

*Vice chairman, executive director and president*

**Kenneth Patrick Chung**

*Independent non-executive director*

**Murray Horn**

*Independent non-executive director*

## 57 Statement of financial position and statement of changes in equity of the Bank (continued)

|  | (Unaudited)   |  |                 |                            |                 |                 |                   |              |
|--|---------------|--|-----------------|----------------------------|-----------------|-----------------|-------------------|--------------|
|  | Share capital | Other equity instruments-preference shares | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Total equity |
| <b>As at 1 January 2019</b>                          | 250,011       | 79,636                                     | 135,109         | 21,539                     | 223,231         | 272,867         | 954,297           | 1,936,690    |
| <b>Movements during the period</b>                   | -             | -  | -               | 1,221                      | -               | 32              | 71,311            | 72,564       |
| <b>(1) Total comprehensive income for the period</b> | -             | -  | -               | 1,221                      | -               | -               | 147,846           | 149,067      |
| <b>(2) Profit distribution</b>                       |               |  |                 |                            |                 |                 |                   |              |
| i Appropriation to general reserve                   | -             | -  | -               | -                          | -               | 32              | (32)              | -            |
| ii Dividends paid to ordinary shareholders           | -             | -  | -               | -                          | -               | -               | (76,503)          | (76,503)     |
| <b>As at 30 June 2019</b>                            | 250,011       | 79,636                                     | 135,109         | 22,760                     | 223,231         | 272,899         | 1,025,608         | 2,009,254    |

|  | (Unaudited)   |  |                 |                            |                 |                 |                   |              |
|--|---------------|--|-----------------|----------------------------|-----------------|-----------------|-------------------|--------------|
|  | Share capital | Other equity instruments-preference shares | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Total equity |
| <b>As at 1 January 2018</b>                          | 250,011       | 79,636                                     | 135,109         | (14,120)                   | 198,613         | 254,864         | 827,423           | 1,731,536    |
| <b>Movements during the period</b>                   | -             | -  | -               | 13,762                     | -               | 175             | 66,819            | 80,756       |
| <b>(1) Total comprehensive income for the period</b> | -             | -  | -               | 13,762                     | -               | -               | 139,747           | 153,509      |
| <b>(2) Profit distribution</b>                       |               |  |                 |                            |                 |                 |                   |              |
| i Appropriation to general reserve                   | -             | -  | -               | -                          | -               | 175             | (175)             | -            |
| ii Dividends paid to ordinary shareholders           | -             | -  | -               | -                          | -               | -               | (72,753)          | (72,753)     |
| <b>As at 30 June 2018</b>                            | 250,011       | 79,636                                     | 135,109         | (358)                      | 198,613         | 255,039         | 894,242           | 1,812,292    |

|  | (Audited)     |  |                 |                            |                 |                 |                   |              |
|--|---------------|--|-----------------|----------------------------|-----------------|-----------------|-------------------|--------------|
|  | Share capital | Other equity instruments-preference shares | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Total equity |
| <b>As at 1 January 2018</b>                        | 250,011       | 79,636                                     | 135,109         | (14,120)                   | 198,613         | 254,864         | 827,423           | 1,731,536    |
| <b>Movements during the year</b>                   | -             | -  | -               | 35,659                     | 24,618          | 18,003          | 126,874           | 205,154      |
| <b>(1) Total comprehensive income for the year</b> | -             | -  | -               | 35,659                     | -               | -               | 246,184           | 281,843      |
| <b>(2) Profit distribution</b>                     |               |  |                 |                            |                 |                 |                   |              |
| i Appropriation to general reserve                 | -             | -  | -               | -                          | -               | 18,003          | (18,003)          | -            |
| ii Appropriation to surplus reserve                | -             | -  | -               | -                          | 24,618          | -               | (24,618)          | -            |
| iii Dividends paid to ordinary shareholders        | -             | -  | -               | -                          | -               | -               | (72,753)          | (72,753)     |
| iv Dividends paid to preference shareholders       | -             | -  | -               | -                          | -               | -               | (3,936)           | (3,936)      |
| <b>As at 31 December 2018</b>                      | 250,011       | 79,636                                     | 135,109         | 21,539                     | 223,231         | 272,867         | 954,297           | 1,936,690    |



## 58 Events after the reporting period

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

On 20 August 2019, the Group has exercised the option to redeem the 4.25% fixed rate subordinated bonds issued in August 2014, with the nominal value of USD750 million.

## 59 Comparative figures

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

## 60 Ultimate parent

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

## 61 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2019 and have not been adopted in the financial statements.

| Standards  | Effective for annual periods beginning on or after |
|--|--|
| (1) Amendments to IAS 1 and IAS 8  | 1 January 2020                                     |
| (2) Amendments to IFRS 3   | 1 January 2020                                     |
| (3) IFRS 17 "Insurance Contracts"  | 1 January 2021                                     |
| (4) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | Effective date has been deferred indefinitely      |

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

### (1) Amendments to IAS 1 and IAS 8 "Definition of Material"

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

### (2) Amendments to IFRS 3 "Definition of A Business"

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

## 61 Possible impact of amendments, new standards and interpretations issued but not yet effective (continued)

### (3) IFRS 17 “Insurance Contracts”

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured during each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The Group is currently assessing the impact of IFRS 17 upon initial application.

### (4) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The narrow-scope amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s investors in the associate or joint venture. The amendments apply prospectively.

# 9 Unreviewed Supplementary Financial Information

(Expressed in millions of RMB unless otherwise stated)

The following information of the Group does not form part of the reviewed financial statements, and is included herein for information purposes only.

## 1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the “Bank”) prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the “Group”), in accordance with International Financial Reporting Standards and its interpretations (“IFRS”) promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People’s Republic of China (the “PRC”) and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2019 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively “PRC GAAP and regulations”).

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

## 2 Liquidity coverage ratio and net stable funding ratio

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

The following table sets forth the liquidity coverage ratio of the group in the second quarter of 2019.

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

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

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

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

| No.                                    | 30 June 2019   |            |             |                    |                         | 31 March 2019            |            |             |                         |                          | 31 December 2018 |            |                         |                     |            |
|--|--|------------|-------------|--------------------|-------------------------|--------------------------|------------|-------------|-------------------------|--------------------------|------------------|------------|-------------------------|---------------------|------------|
|  | Value before translation   |            |             |                    | Value after translation | Value before translation |            |             | Value after translation | Value before translation |                  |            | Value after translation |                     |            |
|  | Indefinite   | < 6 months | 6-12 months | ≥ 1 year           |                         | Indefinite               | < 6 months | 6-12 months | ≥ 1 year                |                          | Indefinite       | < 6 months | 6-12 months             | ≥ 1 year            |            |
| <b>Net stable funding ratio (NSFR)</b> |  |            |             |                    |                         |                          |            |             |                         |                          |                  |            |                         |                     |            |
| 1                                      | -  | -          | -           | 2,261,084          | 2,261,084               | -                        | -          | -           | 2,257,950               | 2,257,950                | -                | -          | -                       | 2,185,554           | 2,185,554  |
| 2                                      | -  | -          | -           | 2,261,084          | 2,261,084               | -                        | -          | -           | 2,257,950               | 2,257,950                | -                | -          | -                       | 2,185,554           | 2,185,554  |
| 3                                      | -  | -          | -           | -                  | -                       | -                        | -          | -           | -                       | -                        | -                | -          | -                       | -                   | -          |
| 4                                      | 6,140,357  | 2,767,313  | 165,382     | 733,637            | 9,033,490               | 6,061,541                | 2,913,709  | 172,867     | 643,598                 | 9,014,478                | 6,061,842        | 2,505,643  | 156,245                 | 411,208             | 8,388,794  |
| 5                                      | 2,671,856  | 7,731      | 2,550       | 3,941              | 2,551,972               | 2,737,666                | 11,599     | 2,261       | 3,839                   | 2,617,788                | 2,523,367        | -          | 1,235                   | 2,863               | 2,401,235  |
| 6                                      | 3,468,501  | 2,759,582  | 162,831     | 729,696            | 6,481,518               | 3,323,875                | 2,902,110  | 170,605     | 639,759                 | 6,396,690                | 3,538,475        | 2,505,643  | 155,009                 | 408,345             | 5,987,559  |
| 7                                      | 5,651,864  | 4,978,654  | 707,355     | 400,343            | 5,500,536               | 5,365,289                | 5,160,574  | 772,825     | 418,927                 | 5,372,516                | 6,237,044        | 4,260,500  | 697,142                 | 408,250             | 5,311,499  |
| 8                                      | 5,430,729  | 1,103,592  | 9,890       | 3,035              | 3,275,141               | 5,228,225                | 916,943    | 6,263       | 7,473                   | 3,083,189                | 6,014,447        | 109,400    | 16,141                  | 12,922              | 3,082,916  |
| 9                                      | 221,135  | 3,875,062  | 697,465     | 397,308            | 2,225,395               | 137,064                  | 4,243,631  | 766,561     | 411,454                 | 2,289,327                | 222,597          | 4,151,100  | 681,001                 | 395,329             | 2,228,584  |
| 10                                     | -  | -          | -           | -                  | -                       | -                        | -          | -           | -                       | -                        | -                | -          | -                       | -                   | -          |
| 11                                     | -  | 328,741    | 43,989      | 204,486            | 196,687                 | -                        | 97,763     | 22,598      | 303,274                 | 269,646                  | -                | 119,286    | 38,915                  | 140,709             | 108,835    |
| 12                                     | -  | -          | -           | 29,793             | -                       | -                        | -          | -           | 44,927                  | -                        | -                | -          | -                       | -                   | 51,331     |
| 13                                     | -  | 328,741    | 43,989      | 174,693            | 196,687                 | -                        | 97,763     | 22,598      | 258,347                 | 269,646                  | -                | 119,286    | 38,915                  | 89,377              | 108,835    |
| 14                                     | <b>Total available stable funding</b>                                |            |             |                    | 16,991,797              |                          |            |             |                         | 16,914,591               |                  |            |                         |                     | 15,994,683 |
| 15                                     | Qualified and high-quality liquid assets of net stable funding ratio |            |             |                    | 1,136,639               |                          |            |             |                         | 1,146,142                |                  |            |                         |                     | 1,237,896  |
| 16                                     | 39,576   | 60,748     | 2,274       | 1,456              | 52,857                  | 41,927                   | 16,935     | 1,474       | 889                     | 31,105                   | 32,789           | 14,085     | 50                      | 936                 | 24,438     |
| 17                                     | 758,656  | 3,394,694  | 2,128,769   | 9,886,073          | 11,164,184              | 722,496                  | 3,558,317  | 2,052,805   | 9,722,571               | 11,007,335               | 734,279          | 3,116,573  | 1,941,793               | 9,341,438           | 10,490,449 |
| 18                                     | -  | 375,680    | -           | -                  | 56,352                  | -                        | 284,491    | -           | -                       | 42,674                   | -                | 119,649    | -                       | -                   | 17,947     |
| 19                                     | -  | 972,143    | 360,707     | 193,682            | 536,644                 | -                        | 1,187,319  | 311,533     | 232,869                 | 576,698                  | -                | 1,094,611  | 277,730                 | 141,284             | 457,247    |
| 20                                     | 675,718  | 1,794,311  | 1,575,879   | 4,802,357          | 6,108,374               | 639,240                  | 1,810,846  | 1,554,157   | 4,754,401               | 6,047,917                | 651,570          | 1,693,115  | 1,488,469               | 4,617,295           | 5,844,037  |
| 21                                     | -  | -          | -           | -                  | -                       | -                        | -          | -           | -                       | -                        | -                | -          | -                       | -                   | -          |
| 22                                     | -  | 151,784    | 153,627     | 4,771,088          | 4,208,130               | -                        | 145,720    | 147,661     | 4,630,010               | 4,082,199                | -                | 141,125    | 142,592                 | 4,493,416           | 3,961,262  |
| 23                                     | -  | -          | -           | -                  | -                       | -                        | -          | -           | -                       | -                        | -                | -          | -                       | -                   | -          |
| 24                                     | 82,938   | 100,775    | 38,555      | 118,947            | 254,683                 | 83,256                   | 129,941    | 39,454      | 105,291                 | 257,847                  | 82,709           | 68,073     | 33,003                  | 89,442              | 209,956    |
| 25                                     | -  | -          | -           | -                  | -                       | -                        | -          | -           | -                       | -                        | -                | -          | -                       | -                   | -          |
| 26                                     | 36,980   | 512,048    | 74,951      | 113,762            | 713,258                 | 34,281                   | 451,600    | 62,442      | 348,423                 | 862,824                  | 34,000           | 400,352    | 65,518                  | 292,173             | 754,233    |
| 27                                     | 36,980   | -          | -           | -                  | 31,433                  | 34,281                   | -          | -           | -                       | 29,139                   | 34,000           | -          | -                       | -                   | 28,900     |
| 28                                     | -  | -          | -           | 881                | 749                     | -                        | -          | -           | 1,039                   | 883                      | -                | -          | -                       | 878                 | 746        |
| 29                                     | -  | -          | -           | 21,634             | -                       | -                        | -          | -           | 35,632                  | -                        | -                | -          | -                       | 42,737              | -          |
| 30                                     | -  | -          | -           | 5,974 <sup>1</sup> | 5,974                   | -                        | -          | -           | 9,026 <sup>1</sup>      | 9,026                    | -                | -          | -                       | 10,304 <sup>1</sup> | 10,304     |
| 31                                     | -  | 512,048    | 74,951      | 91,247             | 675,102                 | -                        | 451,600    | 62,442      | 311,753                 | 823,777                  | -                | 400,352    | 65,518                  | 248,558             | 714,282    |
| 32                                     | -  | -          | -           | 4,619,898          | 165,955                 | -                        | -          | -           | 4,413,533               | 155,294                  | -                | -          | -                       | 4,507,170           | 138,862    |
| 33                                     | <b>Total required stable funding</b>                                 |            |             |                    | 13,232,894              |                          |            |             |                         | 13,202,701               |                  |            |                         |                     | 12,645,878 |
| 34                                     | <b>Net stable funding ratio (%)</b>                                  |            |             |                    | 128.41%                 |                          |            |             |                         | 128.11%                  |                  |            |                         |                     | 126.48%    |

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

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

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

## 3 Leverage ratio

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

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

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

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

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

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

### 3 Leverage ratio (continued)

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

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

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

### 4 Currency concentrations

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

#### 4 Currency concentrations (continued)

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

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

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

#### 5 International claims

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

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

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

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

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

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

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

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

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

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

## 7 Exposures to non-banks in Mainland China

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



# Appendix Supplementary Information to Capital Adequacy Ratios

The following information is disclosed in accordance with the *Capital Rules for Commercial Banks (Provisional)* by the CBRC.

## Credit risk exposures

The following table shows, as at the dates indicated, the information related to the credit risk exposures of the Group in accordance with the Capital Rules for Commercial Banks (Provisional).

| (In millions of RMB)                             | As at 30 June 2019                         |   | As at 31 December 2018                     |   |
|--|--|---|--|---|
|  | Covered by internal ratings-based approach | Uncovered by internal ratings-based approach <sup>1</sup> | Covered by internal ratings-based approach | Uncovered by internal ratings-based approach <sup>1</sup> |
| <b>On and off-balance sheet credit exposures</b> | <b>13,195,118</b>                          | <b>13,015,289</b>   | 12,646,709                                 | 12,318,868  |
| Corporate exposures                              | 7,131,941                                  | 2,014,638   | 7,013,594                                  | 1,886,729   |
| Sovereign exposures                              | -  | 4,441,668   | -  | 4,158,495   |
| Financial institution exposures                  | -  | 3,096,656   | -  | 2,714,098   |
| Retail exposures                                 | 6,063,177                                  | 581,234   | 5,633,115                                  | 604,413   |
| Equity exposures                                 | -  | 40,598  | -  | 20,295  |
| Securitisation exposures                         | -  | 59,642  | -  | 50,616  |
| Other exposures                                  | -  | 2,780,853   | -  | 2,884,222   |
| <b>Counterparty credit exposures</b>             | -  | <b>139,886</b>  | -  | 120,070   |
| <b>Total</b>                                     | <b>13,195,118</b>                          | <b>13,155,175</b>   | 12,646,709                                 | 12,438,938  |

1. Credit risk exposures uncovered by the internal ratings-based approach are exposures before impairments, as in line with the exposure categorisation of the internal ratings-based approach.

## Market risk capital requirements

The Group's market risk capital requirements are calculated with the internal models approach. Requirements uncovered by the internal models approach are calculated with the standardised approach.

The following table shows, as at the dates indicated, the information related to various market risk capital requirements.

| (In millions of RMB)                         | As at 30 June 2019<br>Capital requirement | As at 31 December 2018<br>Capital requirement |
|--|---|---|
| <b>Covered by internal models approach</b>   | <b>6,107</b>                              | 5,806   |
| <b>Uncovered by internal models approach</b> | <b>4,129</b>                              | 3,836   |
| Interest rate risk                           | 1,542                                     | 1,305   |
| Equity position risk                         | 112                                       | 67  |
| Foreign exchange risk                        | 2,474                                     | 2,464   |
| Commodity risk                               | 1   | -   |
| Option risk                                  | -   | -   |
| <b>Total</b>                                 | <b>10,236</b>                             | 9,642   |

The Group measures market risk with value-at-risk (VaR) model. The VaR model is an approach to estimate potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices within a specific timeframe and a fixed confidence level. The Group calculates VaR and stressed VaR and conducts back-testing in compliance with the regulatory requirements. As of the reporting period, the number of back-testing breakthroughs fell within the green zone set by the CBIRC, and no model anomalies had been identified.

The following table shows the VaR and stressed VaR of the Group covered by the internal models approach for the six months ended 30 June 2019.

| (In millions of RMB) | Six months ended 30 June 2019 |         |         |                          |
|----------------------|-------------------------------|---------|---------|--------------------------|
|                      | Average                       | Maximum | Minimum | At the end of the period |
| VaR                  | 632                           | 791     | 575     | 642                      |
| Stressed VaR         | 1,176                         | 1,432   | 1,001   | 1,263                    |

## Equity exposures in the banking book

The following table shows, as at the dates indicated, the information related to the equity exposures in the banking book and the unrealised potential risk gains or losses of the Group.

| (In millions of RMB)                   | As at 30 June 2019                           |  |  | As at 31 December 2018                       |  |  |
|--|--|--|--|--|--|--|
|  | Publicly traded equity exposure <sup>1</sup> | Non-Publicly traded equity exposure <sup>1</sup> | Unrealised potential risk gains or losses <sup>2</sup> | Publicly traded equity exposure <sup>1</sup> | Non-Publicly traded equity exposure <sup>1</sup> | Unrealised potential risk gains or losses <sup>2</sup> |
| <b>Invested institution categories</b> |  |  |  |  |  |  |
| Financial institutions                 | 2,356  | 3,010  | 986  | 2,002  | 2,278  | 604  |
| Non-financial institutions             | 3,045  | 32,141   | (83)   | 6,336  | 17,992   | (75)   |
| <b>Total</b>                           | <b>5,401</b>                                 | <b>35,151</b>                                    | <b>903</b>   | <b>8,338</b>                                 | <b>20,270</b>                                    | <b>529</b>   |

1. Publicly traded equity exposure is the equity exposure where the invested institutions are listed companies. Non-publicly traded equity exposure is the equity exposure where the invested institutions are unlisted companies.

2. Unrealised potential risk gains or losses are gains or losses that have been recognised in the balance sheet but not in the income statement.

The following information is disclosed in accordance with the *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the CBRC.

## Composition of capital

In accordance with the *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets under the scope of regulatory consolidation.

| (In millions of RMB, except percentages)                    | Code  | As at 30 June 2019 | As at 31 December 2018 |
|---|---|--------------------|------------------------|
| <b>Common Equity Tier 1 capital:</b>                        |   |                    |                        |
| 1   | Qualifying common share capital   | 250,011            | 250,011                |
| 2   | Retained earnings   | 1,569,150          | 1,491,971              |
| 2a  | Surplus reserve   | 223,231            | 223,231                |
| 2b  | General reserve   | 279,946            | 279,627                |
| 2c  | Undistributed profits   | 1,065,973          | 989,113                |
| 3   | Accumulated other comprehensive income and disclosed reserves   | 155,856            | 154,347                |
| 3a  | Capital reserve   | 134,511            | 134,511                |
| 3b  | Others  | 21,345             | 19,836                 |
| 4   | Amount recognised in Common Equity Tier 1 capital during transitional period (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0") | –                  | –                      |
| 5   | Non-controlling interest given recognition in Common Equity Tier 1 capital  | 2,946              | 2,744                  |
| 6   | <b>Common Equity Tier 1 capital before regulatory adjustments</b>   | <b>1,977,963</b>   | <b>1,899,073</b>       |
| <b>Common Equity Tier 1 capital: Regulatory adjustments</b> |   |                    |                        |
| 7   | Prudent valuation adjustment  | –                  | –                      |
| 8   | Goodwill (excluding deferred tax liabilities)   | 2,585              | 2,572                  |
| 9   | Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)  | 3,064              | 3,156                  |
| 10  | Net deferred tax assets relying on future profits and arising from operating losses   | –                  | –                      |
| 11  | Cash-flow hedge reserves  | (121)              | 53                     |
| 12  | Gaps of loan loss provisions  | –                  | –                      |
| 13  | Gains from sales of asset securitisation  | –                  | –                      |
| 14  | Unrealised profit/loss arising from the changes in own credit risk on fair values of liability  | –                  | –                      |

## Appendix Supplementary Information to Capital Adequacy Ratios

| (In millions of RMB, except percentages)                 |   | Code   | As at<br>30 June 2019 | As at<br>31 December 2018 |
|--|---|--------|-----------------------|---------------------------|
| 15   | Net defined-benefit pension assets (excluding deferred tax liabilities)   |        | -                     | -                         |
| 16   | Directly or indirectly investments in own shares  |        | -                     | -                         |
| 17   | Reciprocal cross-holdings in common equity tier 1 capital   |        | -                     | -                         |
| 18   | Non-significant investments in common equity tier 1 capitals of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)   |        | -                     | -                         |
| 19   | Significant investments in the common tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)   |        | -                     | -                         |
| 20   | Mortgage-servicing rights   |        | N/A                   | N/A                       |
| 21   | Other deferred tax assets relying on the Bank's future profitability (amount above 10% threshold)   |        | -                     | -                         |
| 22   | Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustments (amount exceeding the 15% threshold) |        | -                     | -                         |
| 23   | of which: Significant investments in the capital of financial institutions  |        | -                     | -                         |
| 24   | of which: Mortgage-servicing rights   |        | N/A                   | N/A                       |
| 25   | of which: Other deferred tax assets that rely on the Bank's future profitability  |        | -                     | -                         |
| 26a  | Investments in common equity of financial institutions being controlled but outside the scope of regulatory consolidation   | h      | 6,970                 | 3,902                     |
| 26b  | Gaps of common equity of financial institutions being controlled but outside the scope of regulatory consolidation  |        | -                     | -                         |
| 26c  | Total regulatory adjustments to common equity tier 1 capital  |        | -                     | -                         |
| 27   | Regulatory adjustments applied to common equity tier 1 due to insufficient additional tier 1 and tier 2 to cover deductions   |        | -                     | -                         |
| 28   | <b>Total regulatory adjustments in Common Equity Tier 1 capital</b>   |        | <b>12,498</b>         | 9,683                     |
| 29   | <b>Common Equity Tier 1 capital after regulatory adjustments</b>  |        | <b>1,965,465</b>      | 1,889,390                 |
| <b>Additional tier 1 capital:</b>                        |   |        |                       |                           |
| 30   | Other directly issued qualifying additional tier 1 capital instruments including related premium  | p      | 79,636                | 79,636                    |
| 31   | of which: Classified as equity  | p      | 79,636                | 79,636                    |
| 32   | of which: Classified as liabilities   |        | -                     | -                         |
| 33   | of which: Instruments not recognised in additional tier 1 capital after the transition period   |        | -                     | -                         |
| 34   | Non-controlling interest given recognition in additional tier 1 capital   | x      | 85                    | 84                        |
| 35   | of which: Portions not recognised in additional tier 1 capital after the transition period  |        | -                     | -                         |
| 36   | <b>Additional tier 1 capital before regulatory adjustments</b>  |        | <b>79,721</b>         | 79,720                    |
| <b>Additional tier 1 capital: Regulatory adjustments</b> |   |        |                       |                           |
| 37   | Direct or indirect investments in own additional tier 1 capital instruments   |        | -                     | -                         |
| 38   | Reciprocal cross-holdings in additional tier 1 capital instruments  |        | -                     | -                         |
| 39   | Non-significant investments in the additional tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)   |        | -                     | -                         |
| 40   | Significant investments in the additional tier 1 capital of financial institutions outside the scope of regulatory consolidation  |        | -                     | -                         |
| 41a  | Investments in Additional Tier 1 capital of financial institutions being controlled but outside the regulatory scope of consolidation   |        | -                     | -                         |
| 41b  | Gaps of additional tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation  |        | -                     | -                         |
| 41c  | Other deductions from additional tier 1 capital   |        | -                     | -                         |
| 42   | Regulatory adjustments applied to additional tier 1 due to insufficient tier 2 to cover deductions  |        | -                     | -                         |
| 43   | <b>Total regulatory adjustments to additional tier 1 capital</b>  |        | -                     | -                         |
| 44   | <b>Additional tier 1 capital after regulatory adjustments</b>   |        | <b>79,721</b>         | 79,720                    |
| 45   | <b>Tier 1 capital after regulatory adjustments (common equity tier 1 capital after regulatory adjustments + additional tier 1 capital after regulatory adjustments)</b>   |        | <b>2,045,186</b>      | 1,969,110                 |
| <b>Tier 2 capital:</b>                                   |   |        |                       |                           |
| 46   | Directly issued qualifying tier 2 capital instruments including related premium   | n      | 203,263               | 206,615                   |
| 47   | of which: Portions not recognised in tier 2 capital after the transition period   |        | 47,950                | 63,934                    |
| 48   | Non-controlling interest given recognition in tier 2 capital  | y      | 136                   | 133                       |
| 49   | of which: Portions not recognised after the transition period   |        | -                     | -                         |
| 50   | Provisions in tier 2  | -(b+d) | 199,703               | 172,788                   |
| 51   | <b>Tier 2 capital before regulatory adjustments</b>   |        | <b>403,102</b>        | 379,536                   |

## Appendix Supplementary Information to Capital Adequacy Ratios

| (In millions of RMB, except percentages)                       |  | Code    | As at<br>30 June 2019 | As at<br>31 December 2018 |
|--|--|---------|-----------------------|---------------------------|
| <b>Tier 2 capital: Regulatory adjustments</b>                  |  |         |                       |                           |
| 52   | Direct or indirect investments in the Bank's tier 2 instruments  |         | –                     | –                         |
| 53   | Reciprocal cross-holdings in tier 2 capital instruments  |         | –                     | –                         |
| 54   | Non-significant investments in capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)      |         | –                     | –                         |
| 55   | Significant investments in the tier 2 capital of financial institutions outside the scope of regulatory consolidation                            |         | –                     | –                         |
| 56a  | Investments in tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation                       |         | –                     | –                         |
| 56b  | Gaps of Tier 2 capital of financial institutions being controlled but outside the regulatory scope of consolidation                              |         | –                     | –                         |
| 56c  | Other deductions from tier 2 capital   |         | –                     | –                         |
| 57   | <b>Total regulatory adjustments in tier 2 capital</b>  |         | –                     | –                         |
| 58   | <b>Tier 2 capital after regulatory adjustments</b>   |         | <b>403,102</b>        | 379,536                   |
| 59   | <b>Total capital after regulatory adjustments (tier 1 capital after regulatory adjustments + tier 2 capital after regulatory adjustments)</b>    |         | <b>2,448,288</b>      | 2,348,646                 |
| 60   | <b>Total risk-weighted assets</b>  |         | <b>14,348,040</b>     | 13,659,497                |
| <b>Capital adequacy ratio and reserve capital requirements</b> |  |         |                       |                           |
| 61   | <b>Common equity tier 1 ratio</b>  |         | <b>13.70%</b>         | 13.83%                    |
| 62   | <b>Tier 1 ratio</b>  |         | <b>14.25%</b>         | 14.42%                    |
| 63   | <b>Total Capital ratio</b>   |         | <b>17.06%</b>         | 17.19%                    |
| 64   | Specific buffer requirements of regulators   |         | <b>3.50%</b>          | 3.50%                     |
| 65   | of which: Capital conservation buffer requirements   |         | <b>2.50%</b>          | 2.50%                     |
| 66   | of which: Countercyclical buffer requirements  |         | <b>0.00%</b>          | 0.00%                     |
| 67   | of which: Additional buffer requirements of Global Systemically Important Banks  |         | <b>1.00%</b>          | 1.00%                     |
| 68   | Common equity tier 1 capital available to meet buffers as a percentage of risk-weighted assets   |         | <b>8.70%</b>          | 8.83%                     |
| <b>Domestic minimum regulatory capital requirements</b>        |  |         |                       |                           |
| 69   | Common equity tier 1 ratio   |         | <b>5.00%</b>          | 5.00%                     |
| 70   | Tier 1 ratio   |         | <b>6.00%</b>          | 6.00%                     |
| 71   | Total capital ratio  |         | <b>8.00%</b>          | 8.00%                     |
| <b>Amounts below the threshold deductions</b>                  |  |         |                       |                           |
| 72   | Non-significant investments in the capital of other financial institutions outside of the scope of regulatory consolidation                      | e+f+g+i | <b>61,004</b>         | 37,101                    |
| 73   | Significant investments in the capital of other financial institutions outside of the scope of regulatory consolidation                          | j       | <b>81</b>             | 111                       |
| 74   | Mortgage-servicing rights (net of deferred tax liabilities)  |         | <b>N/A</b>            | N/A                       |
| 75   | Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)   | m       | <b>62,700</b>         | 57,464                    |
| <b>Limit of provisions in tier 2 capital</b>                   |  |         |                       |                           |
| 76   | Provisions eligible for inclusion in tier 2 in respect of exposures subject to regulatory weighting approach (prior to the application of cap)   | –a      | <b>26,669</b>         | 24,082                    |
| 77   | Provisions eligible for inclusion in tier 2 capital under regulatory weighting approach  | –b      | <b>26,669</b>         | 24,082                    |
| 78   | Provisions eligible for inclusion in tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap) | –c      | <b>226,382</b>        | 189,957                   |
| 79   | Provisions eligible for inclusion in tier 2 capital under internal ratings-based approach  | –d      | <b>173,034</b>        | 148,706                   |
| <b>Capital instruments subject to phase-out arrangements</b>   |  |         |                       |                           |
| 80   | Amount recognised in current-period common equity tier 1 capital due to transitional arrangements  |         | –                     | –                         |
| 81   | Amount not recognised in current-period common equity tier 1 capital due to transitional arrangements  |         | –                     | –                         |
| 82   | Amount recognised in current-period additional tier 1 capital due to transitional arrangements   |         | –                     | –                         |
| 83   | Amount not recognised in current-period additional tier 1 capital due to transitional arrangements   |         | –                     | –                         |
| 84   | Amount recognised in current-period tier 2 capital due to transitional arrangements  |         | <b>47,950</b>         | 63,934                    |
| 85   | Amount not recognised in current-period tier 2 capital due to transitional arrangements  |         | <b>62,017</b>         | 74,026                    |

## Appendix Supplementary Information to Capital Adequacy Ratios

The following table shows the balance sheet of the accounting and regulatory consolidation.

| (In millions of RMB)   | As at 30 June 2019                                  |   |
|--|---|---|
|  | Balance sheet of<br>the accounting<br>consolidation | Balance sheet<br>of the regulatory<br>consolidation |
| <b>Assets</b>  |   |   |
| Cash and deposits with central banks                                       | 2,466,167   | 2,469,040   |
| Deposits with banks and non-bank financial institutions                    | 365,628   | 353,173   |
| Precious metals  | 36,911  | 36,911  |
| Placements with banks and non-bank financial institutions                  | 447,872   | 449,973   |
| Positive fair value of derivatives   | 28,962  | 28,940  |
| Financial assets held under resale agreements                              | 450,226   | 446,443   |
| Loans and advances to customers  | 14,087,296  | 14,119,170  |
| Financial assets measured at fair value through profit or loss             | 678,147   | 606,616   |
| Financial assets measured at amortised cost                                | 3,575,473   | 3,481,693   |
| Financial assets measured at fair value through other comprehensive income | 1,797,431   | 1,781,554   |
| Long-term equity investments   | 10,424  | 9,806   |
| Fixed assets   | 165,561   | 163,914   |
| Land use rights  | 14,123  | 14,068  |
| Intangible assets  | 3,632   | 3,064   |
| Goodwill   | 2,780   | 2,585   |
| Deferred tax assets  | 63,730  | 62,700  |
| Other assets   | 188,788   | 236,370   |
| <b>Total assets</b>  | <b>24,383,151</b>                                   | <b>24,266,020</b>                                   |
| <b>Liabilities</b>   |   |   |
| Borrowings from central banks  | 446,769   | 446,769   |
| Deposits from banks and non-bank financial institutions                    | 1,452,410   | 1,495,359   |
| Placements from banks and non-bank financial institutions                  | 441,948   | 447,143   |
| Financial liabilities measured at fair value through profit or loss        | 301,500   | 301,497   |
| Negative fair value of derivatives   | 28,017  | 28,017  |
| Financial assets sold under repurchase agreements                          | 35,164  | 26,318  |
| Deposits from customers  | 18,214,072  | 18,214,716  |
| Accrued staff costs  | 31,581  | 30,582  |
| Taxes payable  | 54,422  | 54,061  |
| Provisions   | 39,652  | 39,649  |
| Debt securities issued   | 789,358   | 772,004   |
| Deferred tax liabilities   | 390   | 74  |
| Other liabilities  | 475,830   | 347,040   |
| <b>Total liabilities</b>   | <b>22,311,113</b>                                   | <b>22,203,229</b>                                   |
| <b>Equity</b>  |   |   |
| Share capital  | 250,011   | 250,011   |
| Other equity instruments – preference shares                               | 79,636  | 79,636  |
| Capital reserve  | 134,537   | 134,511   |
| Other comprehensive income   | 20,057  | 21,345  |
| Surplus reserve  | 223,231   | 223,231   |
| General reserve  | 280,045   | 279,946   |
| Retained earnings  | 1,068,239   | 1,065,973   |
| Total equity attributable to equity shareholders of the Bank               | 2,055,756   | 2,054,653   |
| Non-controlling interests  | 16,282  | 8,138   |
| <b>Total equity</b>  | <b>2,072,038</b>                                    | <b>2,062,791</b>                                    |

The following table shows the information related to the expanded balance sheet under regulatory scope of consolidation, as well as its connections with the Composition of capital.

| (In millions of RMB)  | As at 30 June 2019  |      |
|---|---|------|
|   | Balance sheet<br>of the regulatory<br>scope of<br>consolidation | Code |
| <b>Assets</b>   |   |      |
| Cash and deposits with central banks  | 2,469,040   |      |
| Deposits with banks and non-bank financial institutions   | 353,173   |      |
| Precious metals   | 36,911  |      |
| Placements with banks and non-bank financial institutions   | 449,973   |      |
| Positive fair value of derivatives  | 28,940  |      |
| Financial assets held under resale agreements   | 446,443   |      |
| Loans and advances to customers   | 14,119,170  |      |
| of which: Provisions eligible actually accrued under regulatory weighting approach  | (26,669)  | a    |
| of which: Provisions eligible for inclusion in tier 2 in respect of exposures under regulatory weighting approach   | (26,669)  | b    |
| of which: Provisions eligible actually accrued under internal ratings-based approach  | (226,382)   | c    |
| of which: Provisions eligible for inclusion in tier 2 in respect of exposures under internal ratings-based approach                                       | (173,034)   | d    |
| Financial assets measured at fair value through profit or loss  | 606,616   |      |
| of which: Non-significant investments in the capitals of other financial institutions outside the scope<br>of regulatory consolidation                    | 54,912  | e    |
| Financial assets measured at amortised cost   | 3,481,693   |      |
| of which: Non-significant investments in the capital of financial institutions outside the scope<br>of regulatory consolidation                           | 784   | f    |
| Financial assets measured at fair value through other comprehensive income  | 1,781,554   |      |
| of which: Non-significant investments in the capital of financial institutions outside the scope<br>of regulatory consolidation                           | 4,940   | g    |
| Long-term equity investments  | 9,806   |      |
| of which: Investments in the common equity tier 1 capital of financial institutions being controlled but outside the scope<br>of regulatory consolidation | 6,970   | h    |
| of which: Non-significant investments in the capitals of financial institutions outside the scope of regulatory consolidation                             | 368   | i    |
| of which: Significant investments in the capitals of financial institutions outside the scope of regulatory consolidation                                 | 81  | j    |
| Fixed assets  | 163,914   |      |
| Land use rights   | 14,068  |      |
| Intangible assets   | 3,064   | k    |
| Goodwill  | 2,585   | l    |
| Deferred tax assets   | 62,700  | m    |
| Other assets  | 236,370   |      |
| <b>Total assets</b>   | <b>24,266,020</b>   |      |
| <b>Liabilities</b>  |   |      |
| Borrowings from central banks   | 446,769   |      |
| Deposits from banks and non-bank financial institutions   | 1,495,359   |      |
| Placements from banks and non-bank financial institutions   | 447,143   |      |
| Financial liabilities measured at fair value through profit or loss   | 301,497   |      |
| Negative fair value of derivatives  | 28,017  |      |
| Financial assets sold under repurchase agreements   | 26,318  |      |
| Deposits from customers   | 18,214,716  |      |
| Accrued staff costs   | 30,582  |      |
| Taxes payable   | 54,061  |      |
| Provisions  | 39,649  |      |
| Debt securities issued  | 772,004   |      |
| of which: Tier 2 capital instruments including related premium <sup>1</sup>   | 203,263   | n    |
| Deferred tax liabilities  | 74  |      |
| Other liabilities   | 347,040   |      |
| <b>Total liabilities</b>  | <b>22,203,229</b>   |      |

## Appendix Supplementary Information to Capital Adequacy Ratios

| (In millions of RMB)   | As at 30 June 2019  |      |
|--|---|------|
|  | Balance sheet<br>of the regulatory<br>scope of<br>consolidation | Code |
| <b>Equity</b>  |   |      |
| Share capital  | 250,011   | o    |
| Other equity instruments – preference shares                                   | 79,636  | p    |
| Capital reserve  | 134,511   | q    |
| Other comprehensive income   | 21,345  | r    |
| of which: Cash-flow hedge  | (121)   | s    |
| Surplus reserve  | 223,231   | t    |
| General reserve  | 279,946   | u    |
| Retained earnings  | 1,065,973   | v    |
|  | <b>2,054,653</b>  |      |
| Total equity attributable to equity shareholders of the Bank                   |   |      |
|  | <b>8,138</b>  |      |
| Non-controlling interests  |   |      |
| of which: Non-controlling interests recognised in common equity tier 1 capital | 2,946   | w    |
| of which: Non-controlling interests recognised in other tier 1 capital         | 85  | x    |
| of which: Non-controlling interests recognised in tier 2 capital               | 136   | y    |
|  | <b>2,062,791</b>  |      |
| <b>Total equity</b>  |   |      |

- Pursuant to regulatory requirements, tier 2 capital instruments issued by the Group's wholly-owned subsidiaries that do not comply with domestic regulations are not recognised in the Group's tier 2 capital instruments including related premium, which is different from the accounting treatment of such instruments.

## Main features of eligible regulatory capital instruments

The following table shows the information related to main features of various kinds of eligible regulatory capital instruments issued by the Group.

| No. | Main features of eligible regulatory capital instruments                                       | H Share                           | A Share                           | Rights issues                      | Tier 2 capital instrument    | Tier 2 capital instrument   | Tier 2 capital instrument  |
|-----|--|-----------------------------------|-----------------------------------|------------------------------------|------------------------------|---|--|
| 1   | Issuer   | CCB                               | CCB                               | CCB                                | CCB                          | CCB   | CCB  |
| 2   | Identifier code  | 0939.HK                           | 601939.SH                         | 0939.HK, 601939.SH                 | ISIN: CND100007Z10           | ISIN: HK0000223849  | ISIN: XS1227820187   |
| 3   | Governing law(s)   | Hong Kong SAR law                 | Chinese law                       | Chinese/Hong Kong SAR law          | Chinese law                  | Hong Kong SAR law   | British law  |
| 4   | Regulatory treatment   |                                   |                                   |                                    |                              |   |  |
| 4   | of which: Transitional rules under the <i>Capital Rules for Commercial Banks (Provisional)</i> | Common Equity Tier 1 capital      | Common Equity Tier 1 capital      | Common Equity Tier 1 capital       | Tier 2 capital               | Tier 2 capital  | Tier 2 capital   |
| 5   | Post-transitional rules under the <i>Capital Rules for Commercial Banks (Provisional)</i>      | Common Equity Tier 1 capital      | Common Equity Tier 1 capital      | Common Equity Tier 1 capital       | Tier 2 capital               | Tier 2 capital  | Tier 2 capital   |
| 6   | of which: Eligible at the Bank/Group level   | the Bank and Group level          | the Bank and Group level          | the Bank and Group level           | the Bank and Group level     | the Bank and Group level  | the Bank and Group level   |
| 7   | Instrument type  | Equity instrument                 | Equity instrument                 | Equity instrument                  | Tier 2 capital instrument    | Tier 2 capital instrument   | Tier 2 capital instrument  |
| 8   | Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)  | 72,550                            | 57,119                            | 61,159                             | 19,987                       | 2,000   | 13,716   |
| 9   | Par value of instrument  | RMB30,459 million                 | RMB9,000 million                  | RMB16,322 million                  | RMB20,000 million            | RMB2,000 million  | USD2,000 million   |
| 10  | Accounting classification  | Share capital and capital reserve | Share capital and capital reserve | Share capital and capital reserve  | Debt securities issued       | Debt securities issued  | Debt securities issued   |
| 11  | Original date of issuance  | 27 October 2005                   | 25 September 2007                 | 19 November 2010, 16 December 2010 | 18 August 2014               | 12 November 2014  | 13 May 2015  |
| 12  | Perpetual or dated   | Perpetual                         | Perpetual                         | Perpetual                          | Dated                        | Dated   | Dated  |
| 13  | of which: Original maturity date   | No maturity                       | No maturity                       | No maturity                        | 18 August 2029               | 12 November 2024  | 13 May 2025  |
| 14  | Issuer call subject to regulatory approval   | No                                | No                                | No                                 | Yes                          | Yes   | Yes  |
| 15  | of which: Optional call date, contingent call dates and redemption amount                      | N/A                               | N/A                               | N/A                                | 18 August 2024, all redeemed | 12 November 2019, all redeemed  | 13 May 2020, all redeemed  |
| 16  | of which: Subsequent call dates, if applicable   | N/A                               | N/A                               | N/A                                | N/A                          | N/A   | N/A  |
| 17  | Coupons/dividends  |                                   |                                   |                                    |                              |   |  |
| 17  | of which: Fixed or floating dividend/coupon  | Floating                          | Floating                          | Floating                           | Fixed                        | Fixed for the first five years while floating for the rest five years   | The interest rate is fixed for the first five years, and is adjusted based on the interest rate at the coupon rate reset date for the consecutive five years.  |
| 18  | of which: Coupon rate and any related index  | N/A                               | N/A                               | N/A                                | 5.98%                        | Fixed rate of 4.90% for the first five years reset annually by reference to the one year CNHibor (plus 1.538%) for the rest five years. | The interest rate is fixed at 3.875% for the first five years, and is reset by reference to the five-year U.S. government bond benchmark rate plus the initial interest spread (2.425%) at the coupon rate reset date for the rest five years. |
| 19  | of which: Existence of dividend brake mechanism  | N/A                               | N/A                               | N/A                                | No                           | No  | No   |
| 20  | of which: Fully discretionary, partially discretionary or mandatory                            | Fully discretionary               | Fully discretionary               | Fully discretionary                | Mandatory                    | Mandatory   | Mandatory  |
| 21  | of which: Existence of redemption incentive mechanism  | No                                | No                                | No                                 | No                           | No  | No   |
| 22  | of which: Noncumulative or cumulative  | Noncumulative                     | Noncumulative                     | Noncumulative                      | Noncumulative                | Noncumulative   | Noncumulative  |
| 23  | Convertible or non-convertible   | N/A                               | N/A                               | N/A                                | No                           | No  | No   |
| 24  | of which: If convertible, specify conversion trigger(s)  | N/A                               | N/A                               | N/A                                | N/A                          | N/A   | N/A  |
| 25  | of which: If convertible, specify if it is fully or partially                                  | N/A                               | N/A                               | N/A                                | N/A                          | N/A   | N/A  |
| 26  | of which: If convertible, specify conversion rate  | N/A                               | N/A                               | N/A                                | N/A                          | N/A   | N/A  |
| 27  | of which: If convertible, specify if it is mandatory or optional conversion                    | N/A                               | N/A                               | N/A                                | N/A                          | N/A   | N/A  |
| 28  | of which: If convertible, specify instrument type convertible into                             | N/A                               | N/A                               | N/A                                | N/A                          | N/A   | N/A  |
| 29  | of which: If convertible, specify issuer of instrument it converts into                        | N/A                               | N/A                               | N/A                                | N/A                          | N/A   | N/A  |
| 30  | Write-down feature   | N/A                               | N/A                               | N/A                                | Yes                          | Yes   | Yes  |



## Appendix Supplementary Information to Capital Adequacy Ratios

| No. | Main features of eligible regulatory capital instruments                                      | H Share                           | A Share                           | Rights issues                     | Tier 2 capital instrument   | Tier 2 capital instrument   | Tier 2 capital instrument   |
|-----|---|-----------------------------------|-----------------------------------|-----------------------------------|---|---|---|
| 31  | of which: If write-down, specify write-down trigger(s)  | N/A                               | N/A                               | N/A                               | Write-down is triggered at the earlier of following: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered. | Write-down is triggered at the earlier of following: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered. | Write-down is triggered at the earlier of following: (1) CBRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered. |
| 32  | of which: If write-down, specify if it is full or partial                                     | N/A                               | N/A                               | N/A                               | Full  | Full  | Full  |
| 33  | of which: If write-down, specify if it is permanent or temporary                              | N/A                               | N/A                               | N/A                               | Permanent   | Permanent   | Permanent   |
| 34  | of which: If temporary write-down, specify the description of write-up mechanism              | N/A                               | N/A                               | N/A                               | N/A   | N/A   | N/A   |
| 35  | Hierarchy of claims in liquidation (specify instrument type immediately senior to instrument) | The lowest priority of all claims | The lowest priority of all claims | The lowest priority of all claims | The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.   | The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.   | The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.   |
| 36  | Non-eligible transitioned features  | No                                | No                                | No                                | No  | No  | No  |
| 37  | of which: If yes, specify non-eligible features   | N/A                               | N/A                               | N/A                               | N/A   | N/A   | N/A   |

## Appendix Supplementary Information to Capital Adequacy Ratios

| No. | Main features of eligible regulatory capital instruments  |  | Tier 2 capital instrument      |  | Tier 2 capital instruments      |                               | Tier 2 capital instruments   |     |
|-----|---|--|--------------------------------|--|---------------------------------|-------------------------------|--|-----|
|     |   | Preference shares  |                                | Preference shares  |                                 |                               |  |     |
| 1   | Issuer  | CCB  | CCB                            | CCB  | CCB                             | CCB                           | CCB  | CCB |
| 2   | Identifier code   | 4606.HK  | ISIN: CND1000099M8             | 360030.SH  | ISIN: CND10001PYK4              | ISIN: CND10001QQJ0            | ISIN: XS1936784161   |     |
| 3   | Governing law(s)  | Overseas preference shares and rights and obligations attached apply to the Chinese law and are interpreted according to the Chinese law   | Chinese law                    | Chinese law  | Chinese law                     | Chinese law                   | UK law   |     |
| 4   | Regulatory treatment of which: Transitional rules under the <i>Capital Rules for Commercial Banks (Provisional)</i> | Additional tier 1 capital  | Tier 2 capital                 | Additional tier 1 capital  | Tier 2 capital                  | Tier 2 capital                | Tier 2 capital   |     |
| 5   | of which: Post-transitional rules under the <i>Capital Rules for Commercial Banks (Provisional)</i>                 | Additional tier 1 capital  | Tier 2 capital                 | Additional tier 1 capital  | Tier 2 capital                  | Tier 2 capital                | Tier 2 capital   |     |
| 6   | of which: Eligible at the Bank/ Group level   | The Bank and the Group level   | The Bank and the Group level   | The Bank and the Group level   | The Bank and the Group level    | The Bank and the Group level  | The Bank and the Group level   |     |
| 7   | Instrument type   | Additional tier 1 capital instruments  | Tier 2 capital instrument      | Additional tier 1 capital instruments  | Tier 2 capital instruments      | Tier 2 capital instruments    | Tier 2 capital instruments   |     |
| 8   | Amount recognised in regulatory capital (in millions of RMB, as at the latest reporting date)                       | 19,659   | 23,992                         | 59,977   | 42,995                          | 39,995                        | 12,628   |     |
| 9   | Par value of instrument   | USD3,050 million   | RMB24,000 million              | RMB60,000 million  | RMB43,000 million               | RMB40,000 million             | USD1,850 million   |     |
| 10  | Accounting classification   | Other equity instruments   | Debt securities issued         | Other equity instruments   | Debt securities issued          | Debt securities issued        | Debt securities issued   |     |
| 11  | Original date of issuance   | 16 December 2015   | 21 December 2015               | 26 December 2017   | 25 September 2018               | 29 October 2018               | 27 February 2019   |     |
| 12  | Perpetual or dated  | Perpetual  | Dated                          | Perpetual  | Dated                           | Dated                         | Dated  |     |
| 13  | of which: Original maturity date  | No maturity  | 20 December 2025               | No maturity  | 25 September 2028               | 29 October 2028               | 27 February 2029   |     |
| 14  | Issuer call subject to regulatory approval  | Yes  | Yes                            | Yes  | Yes                             | Yes                           | Yes  |     |
| 15  | of which: Optional call date, contingent call dates and redemption amount   | The first call date is 16 December 2020, all or partial redeemed   | 20 December 2020, all redeemed | The first call date is 27 December 2022, all or partial redeemed   | 25 September 2023, all redeemed | 29 October 2023, all redeemed | 27 February 2029, all redeemed   |     |
| 16  | of which: Subsequent call dates, if applicable  | Every 16 December after the first call date  | N/A                            | Every 27 December after the first call date  | N/A                             | N/A                           | N/A  |     |
| 17  | Coupons/dividends of which: Fixed or floating dividend/ coupon  | Adjustable dividend rate (benchmark rate plus the fixed interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.  | Fixed                          | Adjustable dividend rate (benchmark rate plus the fixed interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.  | Fixed                           | Fixed                         | The fixed interest rate is adopted for the first five years and the interest rate is reset at the coupon for five years thereafter.  |     |
| 18  | of which: Coupon rate and any related index   | The dividend yield fixed at 4.65% for the first five years, is reset based on the five-year U.S. government bond rate plus the fixed interest spread (2.974%) at the dividend reset date for the consecutive five years, and the dividend yield during each reset period remains unchanged (the first dividend yield reset date is 16 December 2020 and the subsequent reset date is 16 December of every 5 years thereafter). | 4%                             | The dividend yield fixed at 4.75% for the first five years, is reset based on the five-year Chinese government bond rate plus the fixed interest spread (0.89%) at the dividend reset date for the consecutive five years, and the dividend yield during each reset period remains unchanged (the first dividend yield reset date is 21 December 2022 and the subsequent reset date is 21 December of every 5 years thereafter). | 4.86%                           | 4.7%                          | The interest rate fixed at 4.25% for the first five years is reset based on the five-year U.S. government bond benchmark rate plus the initial interest spread (1.88%) at the coupon reset date for the five years thereafter. |     |

## Appendix Supplementary Information to Capital Adequacy Ratios

| No. | Main features of eligible regulatory capital instruments            |   | Tier 2 capital instrument |   | Tier 2 capital instruments |               | Tier 2 capital instruments |               |
|-----|---|---|---------------------------|---|----------------------------|---------------|----------------------------|---------------|
|     |   | Preference shares   |                           | Preference shares   |                            |               |                            |               |
| 19  | of which: Existence of dividend brake mechanism                     | Yes   | No                        | Yes   | No                         | No            | No                         | No            |
| 20  | of which: Fully discretionary, partially discretionary or mandatory | Fully discretionary   | Mandatory                 | Fully discretionary   | Mandatory                  | Mandatory     | Mandatory                  | Mandatory     |
| 21  | of which: Existence of redemption incentive mechanism               | No  | No                        | No  | No                         | No            | No                         | No            |
| 22  | of which: Noncumulative or cumulative                               | Noncumulative   | Noncumulative             | Noncumulative   | Noncumulative              | Noncumulative | Noncumulative              | Noncumulative |
| 23  | Convertible or non-convertible                                      | Yes   | No                        | Yes   | No                         | No            | No                         | No            |
| 24  | of which: If convertible, specify conversion trigger(s)             | Additional Tier 1 capital instruments triggers or additional Tier 2 capital instruments triggers  | N/A                       | Additional Tier 1 capital instruments triggers or additional Tier 2 capital instruments triggers  | N/A                        | N/A           | N/A                        | N/A           |
| 25  | of which: If convertible, specify if it is fully or partially       | Fully or partially convertible for additional Tier 1 capital instruments triggers, and fully convertible for additional Tier 2 capital instruments triggers | N/A                       | Fully or partially convertible for additional Tier 1 capital instruments triggers, and fully convertible for additional Tier 2 capital instruments triggers | N/A                        | N/A           | N/A                        | N/A           |

## Appendix Supplementary Information to Capital Adequacy Ratios

| No. | Main features of eligible regulatory capital instruments                    | Preference shares  | Tier 2 capital instrument | Preference shares  | Tier 2 capital instruments | Tier 2 capital instruments | Tier 2 capital instruments |
|-----|---|--|---------------------------|--|----------------------------|----------------------------|----------------------------|
| 26  | of which: If convertible, specify conversion rate                           | The initial conversion price is the average trading price of H shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the preference shares (namely HKD5.98 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, Where the Bank distributes bonus shares or stock dividends for H ordinary shareholders, issues new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and makes rights issue after the plan on the preference share issuance is approved by the Board of Directors, the Bank will accumulatively adjust the conversion price in sequence for the matters above. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the forced conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders. | N/A                       | The initial conversion price is the average trading price of A shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the preference shares (namely RMB5.20 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, Where the Bank distributes bonus shares or stock dividends for A ordinary shareholders, issues new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and makes rights issue after the plan on the preference share issuance is approved by the Board of Directors, the Bank will accumulatively adjust the conversion price in sequence for the matters above. However, the distribution of cash dividends of ordinary shares will not cause adjustment. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the forced conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders. | N/A                        | N/A                        | N/A                        |
| 27  | of which: If convertible, specify if it is mandatory or optional conversion | Yes  | N/A                       | Yes  | N/A                        | N/A                        | N/A                        |
| 28  | of which: If convertible, specify instrument type convertible into          | Common Equity Tier 1 capital   | N/A                       | Common Equity Tier 1 capital   | N/A                        | N/A                        | N/A                        |

Appendix Supplementary Information to Capital Adequacy Ratios

| No. | Main features of eligible regulatory capital instruments                                      | Preference shares  | Tier 2 capital instrument   | Preference shares  | Tier 2 capital instruments  | Tier 2 capital instruments  | Tier 2 capital instruments   |
|-----|---|--|---|--|---|---|--|
| 29  | of which: If convertible, specify issuer of instrument it converts into                       | CCB  | N/A   | CCB  | N/A   | N/A   | N/A  |
| 30  | Write-down feature  | No   | Yes   | No   | Yes   | Yes   | Yes  |
| 31  | of which: If write-down, specify write-down trigger(s)  | N/A  | Write-down is triggered at the earlier of following:<br>(1) CBRC determines issuer cannot survive if no write-down is conducted;<br>(2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered. | N/A  | Write-down is triggered at the earlier of following:<br>(1) CBRC determines issuer cannot survive if no write-down is conducted;<br>(2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be available. | Write-down is triggered at the earlier of following:<br>(1) CBRC determines issuer cannot survive if no write-down is conducted;<br>(2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be available. | Write-down is triggered at the earlier of followings:<br>(1) CBRC determines issuer cannot survive if no write-down is conducted;<br>(2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered. |
| 32  | of which: If write-down, specify if it is full or partial                                     | N/A  | Full  | N/A  | Full  | Full  | Full   |
| 33  | of which: If write-down, specify if it is permanent or temporary                              | N/A  | Permanent   | N/A  | Permanent   | Permanent   | Permanent  |
| 34  | of which: If temporary write-down, specify the description of write-up mechanism              | N/A  | N/A   | N/A  | N/A   | N/A   | N/A  |
| 35  | Hierarchy of claims in liquidation (specify instrument type immediately senior to instrument) | The lower priority behind all depositors, general creditors, and tier 2 capital instrument issued or guaranteed by the Bank, and the capital instruments prior to preference shares, the same priority with additional tier1 capital instruments with the same priority. | The lower priority behind the depositors, general creditors, the same priority with other tier 2 capital instruments with the same priority.  | The lower priority behind all depositors, general creditors, and tier 2 capital instrument issued or guaranteed by the Bank, and the capital instruments prior to preference shares, the same priority with additional tier1 capital instruments with the same priority. | The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.   | The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.   | The lower priority behind the depositor and general creditor, the same priority with other tier 2 capital instruments with the same priority.  |
| 36  | Non-eligible transitioned features  | No   | No  | No   | No  | No  | No   |
| 37  | of which: If yes, specify non-eligible features   | N/A  | N/A   | N/A  | N/A   | N/A   | N/A  |