中国民生银行
CHINA MINSHENG BANK

中 國 民 生 銀 行 股 份 有 限 公 司

CHINA MINSHENG BANKING CORP., LTD.

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

(Stock Code: 01988)

(USD Preference Shares Stock Code: 04609)

Interim Results Announcement for the Six Months Ended 30 June 2019

The Board of Directors (the "**Board**") of China Minsheng Banking Corp., Ltd. (the "**Company**") hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2019. This announcement, containing the full text of the 2019 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcements of interim results.

Publication of Interim Results Announcement and Interim Report

This results announcement will be published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cmbc.com.cn).

The Company's 2019 Interim Report will be dispatched to holders of H shares and published on the website of the Company and the HKEXnews website of the Stock Exchange in due course.

By Order of the Board
CHINA MINSHENG BANKING CORP., LTD.
Hong Qi
Chairman

Beijing, PRC
30 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Hong Qi and Mr. Zheng Wanchun; the non-executive directors are Mr. Zhang Hongwei, Mr. Lu Zhiqiang, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Wu Di, Mr. Song Chunfeng and Mr. Weng Zhenjie; and the independent non-executive directors are Mr. Liu Jipeng, Mr. Li Hancheng, Mr. Xie Zhichun, Mr. Peng Xuefeng, Mr. Liu Ningyu and Mr. Tian Suning.

Important Notice

The Board, the Board of Supervisors, the Directors, Supervisors and Senior Management of the Company warrant that there are no misstatements, misleading representations or material omissions in this report, and shall assume several and joint liability for the truthfulness, accuracy and completeness of its contents.

This Interim Report was considered and approved on 30 August 2019 at the 18th meeting of the seventh session of the Board of the Company. Of the 15 Directors who were entitled to attend the meeting, seven Directors attended the meeting in person, eight Directors, being the Vice Chairmen Zhang Hongwei and Liu Yonghao as well as the Directors Shi Yuzhu, Song Chunfeng, Weng Zhenjie, Liu Jipeng, Xie Zhichun and Tian Suning, attended the meeting by teleconference. Of the nine Supervisors who were entitled to attend the meeting as non-voting delegates, nine Supervisors attended the meeting in person as non-voting delegates.

No interim profit will be distributed and no capital reserve will be used for capitalisation for the interim period of 2019.

For the purpose of this Interim Report, China Minsheng Banking Corp., Ltd. shall be referred to as the "Company", the "Bank", "China Minsheng Bank" or "Minsheng Bank", whereas China Minsheng Banking Corp., Ltd. and its subsidiaries together shall be referred to as the "Group".

The financial data and indicators contained in this Interim Report are prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"). Unless otherwise specified, all amounts are the consolidated data of the Group and are denominated in RMB.

The interim financial report of the Company was not audited.

Board of Directors
China Minsheng Banking Corp., Ltd.

Hong Qi (Chairman), Zheng Wanchun (President), Bai Dan (Senior Management responsible for finance and accounting) and Li Wen (Person in charge of the accounting department) warrant the truthfulness, accuracy and completeness of the financial statements included in this Interim Report.

Contents

Definitions

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

"Bank" or "Company" or "China Minsheng Bank" or "Minsheng Bank"	China Minsheng Banking Corp., Ltd.
"Group"	the Company and its subsidiaries
"Minsheng Financial Leasing"	Minsheng Financial Leasing Co., Ltd.
"Minsheng Royal Fund"	Minsheng Royal Fund Management Co., Ltd.
"Minsheng Royal Asset Management"	Minsheng Royal Asset Management Co., Ltd.
"CMBC International"	CMBC International Holdings Limited
"CBRC"	the former China Banking Regulatory Commission
"CIRC"	the former China Insurance Regulatory Commission
"CBIRC"	China Banking and Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"SSE"	Shanghai Stock Exchange
"SEHK"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on SEHK
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"Senior Management"	senior management of the Company
"Phoenix Project" (鳳凰計劃)	A comprehensive customer-centric project for strategic transformation and restructuring of the Company in response to the liberalisation of interest rate
"Reporting Period"	the period from 1 January 2019 to 30 June 2019
"PBOC"	People's Bank of China
"NSOE(s)"	non-state-owned enterprise(s)
"SBU(s)"	strategic business unit(s)

Strategic Positioning, Reform and Transformation of the Company

I. Mission

In view of the macro economic situation with relatively significant changes in economic development and economic structure and in response to various challenges arising from liberalisation of interest rates, emergence of financial technology, acceleration of financial disintermediation and increasingly stringent regulation, the Company optimised its management structure by further improving its corporate governance. In particular, the Company put efforts in accelerating transformation and renovation and innovating services modes and approaches. The Company also enhanced its capability and strength to cope with challenges and serve the real economy. In addition, the Company strengthened business adjustment and transformation and further focused on its development strategies, with an aim to become a bank for NSOEs, a fintech-based bank and a bank of comprehensive services, taking its sound and sustainable development to a new level.

II. Strategic Positioning and Targets

(I) Strategic positioning

The Company aims to become a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services.

(II) Strategic targets

Adhering to the customer-centric philosophy and to realise the goals of high-quality development and profitability, the Company strives to transform itself into a digitalised, light-weighted benchmark bank of comprehensive services, so as to further increase its corporate value.

III. Reform and Transformation

Based on the preliminary and core achievements of the Phoenix Project and the Three-Year Development Plan, the Board of the Company considered and approved the Overall Implementation Scheme for the Reform and Transformation and the Three-year Development Plan of China Minsheng Bank (《中國民生銀行改革轉型暨三年發展規劃整體實施方案》) (the "**Implementation Scheme**") on 27 April 2018. The Bank continued its reform and transformation in 2019. Under the leadership of the Board and Senior Management, the Company has persisted the three major strategic positioning, namely to become a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services, and focused on ten major tasks of reform and transformation events of the Bank. During the Reporting Period, the Bank has made significant progress on its business and management transformation.

(I) Business transformation

The corporate banking business promoted the implementation of business strategies to support NSOEs. For strategic NSOEs, capitalising on the new 1+3 service model, business planning initiative and visitation by Senior Management were conducted with the synergetic corporation between various teams. For niche NSOEs, industry solutions for the expansion of supply chain finance and number of core enterprises continued to increase. For fundamental NSOEs, the "Minsheng SME Project (中小企業民生工程)" was launched and the "Ying Huo Plan (螢火計劃)" was promoted, making significant achievements in terms of batch acquisition of customers and cooperation with small and medium high-tech enterprises.

In respect of retail banking business, major strategies have been implemented to enhance the Company's capability. The vertical and standardised management system was optimised. Segment coordination and data-driven model were enhanced. With the support to major strategic businesses, including comprehensive development of small business 3.0 project, upgrade of wealth management, expansion of entrepreneur customer base and transformation into a customer-friendly bank hall, retail banking business grew rapidly.

In respect of financial markets business, the Company focused on interbank customers and continued to expand the coverage of light-weighted products including agency transaction, asset management, custody and bills to strategic customers through cross-selling, so as to realise rapid growth in income while at the same time facilitate light-weighted bank transformation throughout the Bank.

(II) Management transformation

The Company strove to enhance its system and mechanism and continued to refine the management of mid and back offices in order to achieve breakthrough in management transformation comprehensively. Based on the EVA/RAROC-oriented initiative, resources allocation and appraisal and incentive system have been improved. The risk-business synergy system has been further improved, which effectively facilitated the transformation of strategic business. Management of non-performing assets was centralised and professionalised and significant progress was made on collection and disposal. Management system of branches was differentiated and comprehensive human resources management was carried out for the organisation efficiency of the Head Office. Management of technologies and data has been steadily improved and major management of RORAC measurement and customer base account have also been continuously refined and enhanced.

Chapter 1 Bank Profile

1.	Registered Chinese Name of the Company:	中國民生銀行股份有限公司 (Abbreviation: "中國民生銀行")
	Registered English Name of the Company:	CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: "CMBC")
2.	Legal Representative of the Company:	Hong Qi
3.	Authorised Representatives of the Company:	Xie Zhichun Wong Wai Yee, Ella
4.	Board Secretary:	Bai Dan
	Company Secretary:	Wong Wai Yee, Ella
	Representative of Securities Affairs:	Wang Honggang
5.	Mailing Address:	China Minsheng Bank Building, No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
	Postal Code:	100031
	Telephone:	86-10-58560666
	Facsimile:	86-10-58560720
	Email:	cmbc@cmbc.com.cn
6.	Registered Address:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
	Postal Code:	100031
	Website:	www.cmbc.com.cn
	Email:	cmbc@cmbc.com.cn

7. Branch Office and Place of Business in Hong Kong:
40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

8. Newspapers Selected by the Company for Information Disclosure:
China Securities Journal, Shanghai Securities News and Securities Times
Website Designated by the CSRC for Publishing the A Share Interim Report:
www.sse.com.cn
Website Designated by the SEHK for Publishing the H Share Interim Report:
www.hkexnews.hk
Place for Collection of the Interim Report:
Office of the Board of the Company

9.	Legal Adviser as to PRC Law:	Grandall Law Firm, Beijing Office
	Legal Adviser as to Hong Kong Law:	Clifford Chance

10.	Domestic Accounting Firm:	PricewaterhouseCoopers Zhong Tian LLP
	Office Address:	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, China
	International Accounting Firm:	PricewaterhouseCoopers
	Office Address:	22/F, Prince's Building, 10 Chater Road, Central, Hong Kong
11.	A Share Registrar:	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
	Office Address:	36/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, China
	H Share Registrar:	Computershare Hong Kong Investor Services Limited
	Office Address:	Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
12.	Places of Listing, Stock Names and Stock Codes:	
	A Share:	SSE; Stock Name: MINSHENG BANK; Stock Code: 600016
	H Share:	SEHK; Stock Name: MINSHENG BANK; Stock Code: 01988
	Offshore Preference Share:	SEHK; Stock Name: CMBC 16USDPREF; Stock Code: 04609
13.	Initial Date of Registration:	7 February 1996
	Initial Place of Registration:	No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14.	Date of Registration for Subsequent Change:	20 November 2007
	Place of Registration:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15.	Unified Social Credit Code:	91110000100018988F

Chapter 2 Summary of Accounting Data and Financial Indicators

I. Major Accounting Data and Financial Indicators

	January to June 2019	January to June 2018 (restated)	Changes of the Reporting Period over the corresponding period of the previous year	January to June 2017 (restated)
Operating results (RMB million)			Increase/ decrease (%)	
Net interest income	**45,523**	33,874	34.39	41,115
Net interest income (after adjustment)	**53,919**	46,555	15.82	41,115
Net non-interest income	**41,560**	40,413	2.84	28,789
Net non-interest income (after adjustment)	**33,164**	27,732	19.59	28,789
Operating income	**87,083**	74,287	17.23	69,904
Operating expenses	**19,224**	18,870	1.88	18,314
Impairment losses on loans and advances	**28,716**	19,177	49.74	16,330
Profit before income tax	**38,423**	35,886	7.07	34,451
Net profit attributable to equity shareholders of the Company	**31,623**	29,618	6.77	28,088
Net cash flow from operating activities	**61,728**	-162,272	Negative for the last period	-368,013
Data per share (RMB)				
Basic earnings per share	**0.72**	0.68	5.88	0.64
Diluted earnings per share	**0.72**	0.68	5.88	0.64
Net cash flow per share from operating activities	**1.41**	-3.71	Negative for the last period	-8.41
Profitability indicators (%)			Changes in percentage point	
Return on average assets (annualised)	**1.04**	1.00	0.04	0.98
Return on weighted average equity (annualised)	**14.86**	15.81	-0.95	16.23
Cost-to-income ratio	**21.12**	24.35	-3.23	25.12
Net fee and commission income to operating income ratio	**31.33**	32.75	-1.42	35.02
Net interest spread	**1.74**	1.54	0.20	1.27
Net interest margin	**2.00**	1.77	0.23	1.48

	30 June 2019	31 December 2018	Changes from the end of the previous year to the end of the Reporting Period	31 December 2017
Scale indicators (RMB million)			Increase/ decrease (%)	
Total assets	**6,340,658**	5,994,822	5.77	5,902,086
Total loans and advances to customers	**3,183,961**	3,056,746	4.16	2,804,307
Total liabilities	**5,851,986**	5,563,821	5.18	5,512,274
Total deposits from customers	**3,427,515**	3,167,292	8.22	2,966,311
Share capital	**43,782**	43,782	—	36,485
Total equity attributable to equity shareholders of the Company	**477,333**	420,074	13.63	378,970
Total equity attributable to ordinary shareholders of the Company	**427,449**	410,182	4.21	369,078
Net assets per share attributable to ordinary shareholders of the Company (RMB)	**9.76**	9.37	4.16	8.43
Asset quality indicators (%)				
Non-performing loan ("NPL") ratio	**1.75**	1.76	-0.01	1.71
Allowance to NPLs	**142.27**	134.05	8.22	155.61
Allowance to total loans	**2.49**	2.36	0.13	2.66
Capital adequacy ratio indicators (%)				
Core tier-one capital adequacy ratio	**8.90**	8.93	-0.03	8.63
Tier-one capital adequacy ratio	**9.95**	9.16	0.79	8.88
Capital adequacy ratio	**12.81**	11.75	1.06	11.85
Total equity to total assets ratio	**7.71**	7.19	0.52	6.60

Notes: 1. In 2017, earnings per share, net cash flow per share from operating activities and net assets per share attributable to ordinary shareholders of the Company were restated based on the number of shares upon the completion of the capitalisation of the capital reserve in 2017.

2. Upon the adoption of the new accounting standards in relation to financial instruments, gains from the holding of financial assets at fair value through profit or loss are no longer recorded as interest income. The net interest income (after adjustment) and the net non-interest income (after adjustment) were adjusted data after exclusion of relevant gains.

3. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.

4. Earnings per share and return on weighted average equity: calculated according to regulations including the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 — 淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC, etc.

5. Cost-to-income ratio = (operating and other operating expenses – tax and surcharges)/operating income.

6. Net interest spread = return on average balance of interest-earning assets – cost ratio of average balance of interest-bearing liabilities.

7. Net interest margin = net interest income/average balance of interest-earning assets. The comparative figures had been restated.

8. Total loans and advances to customers and total deposits from customers did not include accrued interests.

9. NPL ratio = total NPLs/total loans and advances to customers.

10. Allowance to NPLs and allowance to total loans were calculated according to Notice on the Regulatory Requirement on Adjustment to Allowance for Impairment Losses on Loans of Commercial Banks (《關於調整商業行貸款損失準備監管要求的通知》) (Yin Jian Fa [2018] No.7) promulgated by the CBIRC. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicators		Benchmark	**30 June 2019**	31 December 2018	31 December 2017
Liquidity ratio	Consolidated in RMB	≥25	**51.86**	51.64	39.80

Note: The above data are information of the Company. The indicators were calculated based on the relevant regulations of the Chinese banking regulators.

Chapter 3 Discussion and Analysis on Business Operation

I. Review of Economic and Financial Conditions and Government Policies

During the Reporting Period, China's economy and financial market faced a more complicated environment as the global economy declined and trade frictions continued to escalate. On one hand, the growth of major economies slowed down. The pace of economic growth of the United States peaked and the Federal Reserve began to cut interest rates. Economic growth of Eurozone remained sluggish. Uncertainties such as Brexit and financial budget issue of Italy hindered the adoption of normal monetary policies. The economy of Japan remained weak. Japan's central bank continued to implement ultra-loose policies. Major emerging economies' growth momentum was subsided and monetary policies of many countries loosened. On the other hand, significantly rising trade protectionism and escalating trade frictions between major economies deeply affected the global industrial division and the global value chain system, which slowed down the growth of global trade and hindered the progress of economic recovery. Changes in global economic and financial trend have affected China's economy through various ways including trade, investment, exchange rates and risk appetite. Uncertainties and challenges have consequently increased.

During the Reporting Period, against the backdrop of the complicated and changing internal and external environment, the economic development of China made a good start and remained generally stable with economic indicators and resilient economic growth remaining in reasonable ranges. Transformation of growth momentum was accelerated, while reform and opening-up were firmly promoted. Nonetheless, China's economy still faced difficulties and issues. The overall external economic condition tightened. China's economy was under downward pressure due to cyclical factors and, to a larger extent, structural and systematic factors. China's government proactively adopted measures to tackle the difficulties. Efforts have been made to deepen and advance supply-side structural reform and create a healthy and fair operating environment. In addition to sound and moderate monetary policies, counter-cyclical measures for macro-economic policies were timely and properly implemented in order to maintain reasonably ample liquidity. Moderate pro-cyclical fine-tuning was carried out to increase support for the real economy, especially NSOEs and small and micro enterprises. Proactive fiscal policies were also strengthened, including the adoption of more extensive tax reduction and greater surcharge reduction, and strengthening areas of weakness in infrastructure investment. Supply-side structural financial reform was conducted to optimise financing and credit structures, strengthen support for high-quality development, and improve the compatibility of the financial system and supply and demand system. Risk exposure was controlled in an appropriate manner to reduce rigid redemption, facilitating effective financial risk prevention and control. Financial regulations were coordinated in an orderly fashion, which gradually improved the quality and efficiency of financial services for the real economy. High-quality two-way opening up of financial services was further expanded with enhanced economic and financial management as well as stronger risk prevention and control capabilities. The participation in the international financial governance was reinforced.

With strengthened monetary and fiscal policies as well as counter-cyclical measures, the growth rate of assets and liabilities of the banking industry continued to recover and the overall growth of credit was stable. The banking industry returned to its origin to focus on credit for small and micro enterprises and NSOEs. General deposits grew well and the liquidity level remained stable. The structure of assets and liabilities was further optimised and core profitability continued to improve. The overall asset quality was stable with improving level of allowance to NPLs. Quicker capital replenishment led to relatively sufficient risk compensation ability. However, as demand of enterprises remained weak, loans were mainly issued for real estate, infrastructure and personal credit. The banking industry continued to have low risk appetite. The overall costs of deposit increased, resulting in shortage of quality assets and pressure on net interest margin. Certain regions and small and medium banks faced pressure as differentiation of asset quality intensified. Pressure still existed on risk prevention due to numerous potential risk factors. To proactively respond to the changes in business environment, effectively support the development of real economy and prevent various types of financial risks, the Company has adopted the following measures and achieved good results:

1. The Company steadily continued the implementation of its reform and transformation. According to the Overall Implementation Scheme for Reform and Transformation and the Three-year Development Plan of China Minsheng Bank (《中國民生銀行改革轉型暨三年發展規劃整體實施方案》), the Company planned for major tasks of the reform and transformation work for the year to further promote transformation. Actions were centralised throughout the Bank to speed up the implementation of NSOE strategies. Various measures were taken to comprehensively boost values of corporate, retail and interbank customers, enhance the synergy among internet finance, information technology and business, and improve the development of cross-selling system. The Company further promoted comprehensive operation to enhance professional risk control capabilities and improve the overall risk management system. Strategy-oriented resource allocation and performance appraisal were adopted. The Company explored low-cost sources of debt and optimised debt structure. Professional management models for troubled assets were developed to improve collection and disposal of troubled assets. The organisational structure and staff composition were optimised, improving operating efficiency.

2. Adhering to its historical mission of "From the People, For the People (為民而生，與民共生)", the Company served as a bank for NSOEs. According to its NSOE strategies, the Company accelerated the systematic and comprehensive implementation of four segments, including strategic customers, niche customers, emerging industries, and SMEs and small businesses. In order to coordinate the implementation of NSOE strategies in the Head Office and branches, the Company focused on key strategies with supporting measures. With an aim to improve the quality and efficiency of financial services for small and micro enterprises, the Company adopted differentiated polices on the existing quality small and micro customers of secured loans in accordance with the national requirements on supporting small and micro enterprises. The "small supply chain financial model" was developed. By leveraging the thorough access to market conditions and understanding of customers of its business units, the Company provided supply-chain financial services for all participants across the supply chain and established the characteristics and strengths of its supply chain finance, speeding up its implementation of supply chain finance strategies.

3. The Company improved technology-business synergy to become a fintech-based bank. In more open-minded and active response to the opportunities and challenges arising from fintech development, the Company enhanced its smart services and continuously improved customer experience by promoting the development of direct bank, remote banking, online small business loans and credit card online services. The synergy between technology and business was strengthened with the transformation of distributed framework and data management as two driving forces to promote the implementations of strategies and reform and transformation and guarantee the resources base.

4. The Company established a "customer-centric" integrated service system to develop into a bank of comprehensive services. Based on the operation strategy of "promoting synergy", the Company established cross-selling system for NSOE customers and optimised the cross-selling mechanism of five businesses, including entrepreneurs, financial markets agency, payroll agency, credit card and asset management, so as to promote its organic growth. The Company optimised the organisational structure to consolidate the foundation of the Group and promote the business synergy and cooperation between the Company, overseas institutions and affiliated institutions.

5. The Company strengthened its comprehensive and refined management. The Company increased the proportion of high-quality credit assets by enhancing its asset and liability management. The Company also promoted the growth of general deposits and net interest margin. In order to effectively manage the pricing under the mechanism of dual interest rate system, the Company improved its capital management and sped up the transformation into light-asset business model. The Company refined its financial management and allocated resources based on value and strategies. Through optimising strategic budget management and cost management and continuously implementing measures to reduce cost and enhance efficiency, the input-output efficiency of financial resources has been further improved. The Company also optimised and upgraded its business models by intensifying omni-channel planning.

6. The Company enhanced its overall risk management. A overall risk management system was established to enhance the risk management. Through revising collaborative administrative measures for audit, risk management and internal control and compliance management departments, the collaborative mechanism of audit, risk management and internal compliance management departments operated effectively. The Company further optimised its internal control system and the operation mechanism of internal control committee. In order to ensure the continuous compliant development of Minsheng Bank and its affiliated institutions, the Company strengthened the internal control compliance management of affiliated institutions. The Company implemented specialised operation and management mechanism for managing troubled assets to strengthen the efficiency of disposal of troubled assets of the Company.

II. Overview of Operations

During the Reporting Period, the Company took active measures in implementing the spirit of the central government and regulatory policies aiming to support the development of real economy. Based on the customer-centric principle and the three major strategic positionings of becoming "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services", the Company adhered to the business strategies of "developing light-capital business, optimising liabilities, adjusting structure, promoting synergy and maintaining high quality". Reforms and improvements were further promoted in order to support organic growth. Operating profits have been steadily increased with continuous enhancement of business structure and growth of capital. Quality of assets has maintained generally stable. The operation of all business lines has achieved healthy and stable development.

(I) Steady growth in profits and continuous improvement of operating efficiency

Income and profit continued to increase. During the Reporting Period, the Group recorded net profit attributable to equity shareholders of the Company of RMB31,623 million, representing an increase of RMB2,005 million, or 6.77%, as compared with the corresponding period of the previous year. Operating income was RMB87,083 million, representing an increase of RMB12,796 million, or 17.23%, as compared with the corresponding period of the previous year. Net interest margin was 2.00%, representing an increase of 0.23 percentage points as compared with the corresponding period of the previous year.

Returns to shareholders remained steady. Return on average assets and return on weighted average equity were 1.04% and 14.86%, representing an increase of 0.04 percentage points and a decrease of 0.95 percentage points as compared with the corresponding period of the previous year, respectively. Basic earnings per share was RMB0.72, increased by RMB0.04 as compared with the corresponding period of the previous year. Net assets per share attributable to ordinary shareholders of the Company was RMB9.76, increased by RMB0.39 as compared with the end of the previous year.

Operating efficiency was further improved. During the Reporting Period, the Group continued to further optimise its cost structure and cost input-output efficiency was enhanced constantly. During the Reporting Period, cost-to-income ratio was 21.12%, representing a decrease of 3.23 percentage points as compared with the corresponding period of the previous year.

(II) Strengthened capital base and coordinated growth of assets and liabilities

During the Reporting Period, the Group actively grasped market opportunities and policy windows, and made full use of innovative capital instruments to replenish its capital. Tier-two capital bonds of RMB40 billion and undated capital bonds of RMB40 billion were issued successfully, which significantly eased the capital constraints and increased the capital, providing favourable support to the sustainable business development. As at the end of the Reporting Period, net capital base of the Group amounted to RMB623,388 million, representing an increase of RMB76,107 million, or 13.91%, as compared with the end of the previous year. Capital adequacy ratio was 12.81%, representing an increase of 1.06 percentage points as compared with the end of the previous year.

Asset and liability businesses maintained steady scales and experienced coordinated growth. As at the end of Reporting Period, total assets of the Group amounted to RMB6,340,658 million, representing an increase of RMB345,836 million, or 5.77%, as compared with the end of the previous year. Total loans amounted to RMB3,183,961 million, representing an increase of RMB127,215 million, or 4.16%, as compared with the end of the previous year. Total liabilities amounted to RMB5,851,986 million, representing an increase of RMB288,165 million, or 5.18%, as compared with the end of the previous year. Total deposits amounted to RMB3,427,515 million, representing an increase of RMB260,223 million, or 8.22%, as compared with the end of the previous year.

(III) New breakthrough in reforms and improvements and significant progress of major businesses

During the Reporting Period, the Company strictly adhered to its strategic positions and transformation objectives and continued to implement reforms and transformation measures. Significant progress was achieved, operating efficiency was improved, management was refined and customer value continued to increase.

Focus on NSOEs and major customer groups. The Company steadily implemented the strategy to support NSOEs through the “five-in-one (五位一體)” services for NSOEs and by improving the quality of integrated services for strategic customers. As at the end of the Reporting Period, the total number of strategic NSOE customers was 650, representing an increase of 83.62% as compared with the end of the previous year. The number of domestic corporate customers with deposits and domestic customers with general loans balance of the Company were 1.23 million and 9,094, respectively. The Company continued to refine the standardised operation system of retail customers, promote the vertical management reform of retail business and develop the New Small Business Model 3.0, resulting in rapid growth of revenue from retail business. As at the end of the Reporting Period, total number of retail customers with existing financial assets was 40,061.7 thousand, representing an increase of 1,667.2 thousand as compared with the end of the previous year. Financial assets under the Company’s management amounted to RMB1,724,030 million, and total small business loans amounted to RMB246,050 million. During the Reporting Period, net income from retail business amounted to RMB32,269 million. The Company strengthened the cooperation with interbank customer group effectively through classified marketing efforts. The balance of interbank liabilities (including interbank negotiable certificates of deposit (IBNCD)) amounted to RMB1,656,014 million and interbank assets amounted to RMB333,525 million.

Strengthened innovation of products and business models with technologies. The Company actively developed innovative fintech to improve the customer experience and service efficiency. Firstly, the Company accelerated the construction of its technology platform and developed a new supply chain finance platform. Significant innovations and breakthroughs were achieved in the development of credit flow products of accounts receivable. As at the end of the Reporting Period, the number of core supply chain customers was 184, representing an increase of 97.85% as compared with the end of the previous year. Secondly, the Company placed great efforts in the development of online businesses such as direct bank, remote banking and online small business loan in order to improve its smart service capability. As at the end of the Reporting Period, the number of direct bank customers reached 24,062.9 thousand, representing an increase of 4,891.6 thousand as compared with the end of the previous year. The number of personal e-banking customers reached 52,105.4 thousand, representing an increase of 4,201.5 thousand as compared with the end of the previous year. Thirdly, the Company enhanced the application of technology in the development of internet finance and business operation, and supported the implementation of strategies and reform and transformation by capitalising on the transformation of distributed structure.

Enhanced integrated operation with diversified services. The Company accelerated the diversification of its business distribution and relied on its overseas business platform to strengthen cross-selling and business coordination, facilitating the advancement of its competitiveness of comprehensive services. During the Reporting Period, total operating income and net profit of subsidiaries amounted to RMB2,339 million and RMB800 million, respectively. The coordination of domestic and overseas businesses continued to improve, and the development of overseas organisations achieved significant progress. As an important strategic platform for the integrated development and international expansion of the Company, CMBC International offered all-round, diversified and one-stop financial services to the customers of the Company. During the Reporting Period, net profit of CMBC International amounted to HKD226 million, representing an increase of 36.97% as compared with the corresponding period of the previous year. The Hong Kong Branch of the Company focused on the strategic opportunities from the development of Guangdong-Hong Kong-Macau Greater Bay Area, and achieved rapid growth in various businesses including bonds underwriting, asset custody and private banking. As at the end of the Reporting Period, total assets of the Hong Kong Branch of the Company amounted to HKD177,739 million.

(IV) Strengthening risk prevention and control and maintaining generally stable asset quality

During the Reporting Period, the Group continued to improve its overall risk management system by actively expanding the application of risk measurement tools, enhancing the prevention and active management of various risks and allocating additional resources to the collection and disposal of existing problem loans and non-performing assets. The assets quality remained generally stable.

As at the end of the Reporting Period, total outstanding balance of NPLs of the Group amounted to RMB55,649 million, increased by RMB1,783 million, or 3.31%, as compared with the end of the previous year. The NPL ratio was 1.75%, representing a decrease of 0.01 percentage points as compared with the end of the previous year. The allowance to NPLs and the allowance to total loans were 142.27% and 2.49%, respectively, representing increases of 8.22 percentage points and 0.13 percentage points, respectively, as compared with the end of the previous year.

III. Analysis of Major Items of Statement of Profit or Loss

During the Reporting Period, the Group realised net profit attributable to equity shareholders of the Company of RMB31,623 million, maintaining a steady growth with an increase of RMB2,005 million, or 6.77%, as compared with the corresponding period of the previous year.

The major profit and loss items of the Group and their changes are listed below:

(Unit: RMB million)

Item	**January to June 2019**	January to June 2018	Change (%)
Operating income	**87,083**	74,287	17.23
Of which: Net interest income	**45,523**	33,874	34.39
Net non-interest income	**41,560**	40,413	2.84
Operating expenses	**19,224**	18,870	1.88
Impairment losses on credit	**29,313**	19,577	49.73
Impairment losses on other assets	**123**	-46	Negative for previous period
Profit before income tax	**38,423**	35,886	7.07
Less: Income tax expenses	**6,455**	6,033	6.99
Net profit	**31,968**	29,853	7.08
Of which: Net profit attributable to equity shareholders of the Company	**31,623**	29,618	6.77
Profit or loss attributable to non-controlling shareholders	**345**	235	46.81

The amounts, percentages and changes of major items of the Group's operating income are as follows:

(Unit: RMB million)

Item	**January to June 2019**		January to June 2018		
	Amount	**% of total**	Amount	% of total	Change (%)
Net interest income	**45,523**	**52.27**	33,874	45.60	34.39
Interest income	**122,868**	**141.09**	114,126	153.64	7.66
Of which: Interest income from loans and advances to customers	**78,039**	**89.62**	70,849	95.37	10.15
Interest income from investment	**31,925**	**36.66**	29,565	39.80	7.98
Interest income from placements with banks and other financial institutions	**6,074**	**6.97**	4,339	5.84	39.99
Interest income from long-term receivables	**3,190**	**3.66**	3,429	4.62	-6.97
Interest income from balances with central bank	**2,564**	**2.94**	2,931	3.95	-12.52
Interest income from financial assets held under resale agreements	**754**	**0.87**	2,295	3.09	-67.15
Interest income from balances with banks and other financial institutions	**322**	**0.37**	718	0.97	-55.15
Interest expenses	**-77,345**	**-88.82**	-80,252	-108.04	-3.62
Net non-interest income	**41,560**	**47.73**	40,413	54.40	2.84
Net fee and commission income	**27,282**	**31.33**	24,327	32.75	12.15
Other net non-interest income	**14,278**	**16.40**	16,086	21.65	-11.24
Total	**87,083**	**100.00**	74,287	100.00	17.23

(I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB45,523 million, representing an increase of RMB11,649 million, or 34.39%, as compared with the corresponding period of the previous year. After adjustment for gains from the holding of financial assets at fair value through profit or loss of RMB8,396 million, the year-on-year increase of interest income was 15.82%. Net interest margin of the Group was 2.00%, representing an increase of 0.23 percentage points as compared with the corresponding period of the previous year.

The analysis of the net interest income of the Group is listed below:

(Unit: RMB million)

	January to June 2019			January to June 2018		
Item	**Average balance**	**Interest Income (after adjustment)**	**Average return (%)**	Average balance	Interest Income (after adjustment)	Average return (%)
Interest-earning assets						
Total loans and advances to customers	**2,937,980**	**78,039**	**5.31**	2,793,003	70,849	5.07
Of which: Corporate loans and advances	**1,893,329**	**48,877**	**5.16**	1,797,271	43,916	4.89
Personal loans and advances	**1,044,651**	**29,162**	**5.58**	995,732	26,933	5.41
Investment in trading and banking books[Note 1]	**2,001,038**	**40,321**	**4.03**	2,014,473	42,246	4.19
Balances with central bank	**330,609**	**2,564**	**1.55**	375,200	2,931	1.56
Placements with banks and other financial institutions	**287,955**	**6,074**	**4.22**	198,433	4,339	4.37
Long-term receivables	**118,720**	**3,190**	**5.37**	119,304	3,429	5.75
Financial assets held under resale agreements	**54,866**	**754**	**2.75**	117,868	2,295	3.89
Balances with banks and other financial institutions	**133,744**	**322**	**0.48**	67,155	718	2.14
Total	**5,864,912**	**131,264**	**4.48**	5,685,436	126,807	4.46

Item	January to June 2019			January to June 2018		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	**3,289,261**	**39,481**	**2.40**	2,987,798	29,343	1.96
Of which: Corporate deposits	**2,664,922**	**32,610**	**2.45**	2,475,985	24,795	2.00
Demand	**1,005,047**	**4,546**	**0.90**	1,078,929	5,220	0.97
Time	**1,659,875**	**28,064**	**3.38**	1,397,056	19,575	2.80
Personal deposits	**624,339**	**6,871**	**2.20**	511,813	4,548	1.78
Demand	**195,917**	**438**	**0.45**	185,298	344	0.37
Time	**428,422**	**6,433**	**3.00**	326,515	4,204	2.58
Balances from banks and other financial institutions	**1,010,723**	**14,558**	**2.88**	1,226,907	25,769	4.20
Debt securities issued	**687,926**	**12,472**	**3.63**	531,631	12,168	4.58
Borrowings from central bank and other financial institutions and others	**396,176**	**7,272**	**3.67**	470,062	8,925	3.80
Placements from banks and other financial institutions	**153,528**	**2,199**	**2.86**	154,451	2,062	2.67
Financial assets sold under repurchase agreements	**108,193**	**1,363**	**2.52**	126,648	1,985	3.13
Total	**5,645,807**	**77,345**	**2.74**	5,497,497	80,252	2.92
Net interest income (after adjustment)		**53,919**			46,555	
Net interest spread			**1.74**			1.54
Net interest margin Note 2			**2.00**			1.77

Notes:

1. Interest income from investment in trading and banking books has been adjusted for the gains from the holding of financial assets at fair value through profit or loss.
2. As incomes from credit card installment and overdraft, fund investment and operating lease assets are excluded from interest income, the Group adjusted the corresponding interest-bearing liabilities and capital costs when calculating net interest margin.
3. In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

The impact of changes in scale of the Group and changes in interest rate on interest income (after adjustment) and interest expenses were as follow:

(Unit: RMB million)

Item	Changes in scale from January to June 2018 to January to June 2019	Changes in interest rate from January to June 2018 to January to June 2019	Net increase/ decrease
Changes in interest income (after adjustment):			
Total loans and advances to customers	3,678	3,512	7,190
Investment in trading and banking books	-282	-1,643	-1,925
Balances with central bank	-348	-19	-367
Placements with banks and other financial institutions	1,958	-223	1,735
Long-term receivables	-17	-222	-239
Financial assets held under resale agreements	-1,227	-314	-1,541
Balances with banks and other financial institutions	712	-1,108	-396
Subtotal	4,474	-17	4,457
Changes in interest expenses:			
Deposits from customers	2,961	7,177	10,138
Deposits from banks and other financial institutions	-4,541	-6,670	-11,211
Debt securities issued	3,577	-3,273	304
Borrowings from central bank and other financial institutions and others	-1,403	-250	-1,653
Placements from banks and other financial institutions	-12	149	137
Financial assets sold under repurchase agreements	-289	-333	-622
Subtotal	293	-3,200	-2,907
Changes in net interest income (after adjustment)	4,181	3,183	7,364

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

1. *Interest income*

During the Reporting Period, interest income of the Group was RMB122,868 million, representing an increase of RMB8,742 million, or 7.66%, as compared with the corresponding period of the previous year, mainly due to the increases of interest income from loans and advances to customers and interest income from investment business of the Group.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group recorded RMB78,039 million, representing an increase of RMB7,190 million, or 10.15%, as compared with the corresponding period of the previous year. In particular, interest income from corporate loans and advances amounted to RMB48,877 million, representing an increase of RMB4,961 million, or 11.30%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances amounted to RMB29,162 million, representing an increase of RMB2,229 million, or 8.28%, as compared with the corresponding period of the previous year.

(2) Interest income from investment

During the Reporting Period, interest income from investment of the Group was RMB31,925 million, representing an increase of RMB2,360 million, or 7.98%, as compared with the corresponding period of the previous year.

(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group was RMB7,150 million, representing a decrease of RMB202 million, or 2.75%, as compared with the corresponding period of the previous year.

(4) Interest income from long-term receivables

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB3,190 million, representing a decrease of RMB239 million, or 6.97%, as compared with the corresponding period of the previous year.

(5) Interest income from balances with central bank

During the Reporting Period, interest income from balances with central bank of the Group was RMB2,564 million, representing a decrease of RMB367 million, or 12.52%, as compared with the corresponding period of the previous year.

2. *Interest expenses*

During the Reporting Period, interest expenses of the Group was RMB77,345 million, representing a decrease of RMB2,907 million, or 3.62%, as compared with the corresponding period of the previous year. The decrease was mainly due to the lower cost ratio of interest-bearing liabilities.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB39,481 million, representing an increase of RMB10,138 million, or 34.55%, as compared with the corresponding period of the previous year, mainly because of the increase in interest rate.

(2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

During the Reporting Period, interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB18,120 million, representing a decrease of RMB11,696 million, or 39.23%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction in scale and interest rate of deposits from banks and other financial institutions.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses on debt securities issued of the Group amounted to RMB12,472 million, representing an increase of RMB304 million, or 2.50%, as compared with the corresponding period of the previous year.

(4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses

During the Reporting Period, interest expenses on borrowings from central bank and other financial institutions and other interest expenses of the Group amounted to RMB7,272 million, representing a decrease of RMB1,653 million, or 18.52%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction in the scale of borrowings from central bank and other financial institutions.

(II) Net non-interest income

During the Reporting Period, net non-interest income of the Group amounted to RMB41,560 million, representing an increase of RMB1,147 million, or 2.84%, as compared with the corresponding period of the previous year. The increase was mainly because of the influence of the adoption of new accounting standards for financial instruments, gains from the holding of financial assets at fair value through profit or loss recorded as other net non-interest income. The year-on-year increase would be 19.59% after exclusion of the relevant gains of RMB8,396 million.

(Unit: RMB million)

Item	**January to June 2019**	January to June 2018	Change (%)
Net fee and commission income	**27,282**	24,327	12.15
Other net non-interest income	**14,278**	16,086	-11.24
Total	**41,560**	40,413	2.84

1. *Net fee and commission income*

During the Reporting Period, net fee and commission income of the Group amounted to RMB27,282 million, representing an increase of RMB2,955 million, or 12.15%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	**January to June 2019**	January to June 2018	Change (%)
Bank card services	**17,071**	12,869	32.65
Agency services	**4,543**	5,005	-9.23
Trust and other fiduciary services	**3,406**	4,166	-18.24
Settlement services	**2,110**	1,755	20.23
Credit commitments	**1,554**	1,526	1.83
Others	**751**	870	-13.68
Fee and commission income	**29,435**	26,191	12.39
Less: Fee and commission expenses	**2,153**	1,864	15.50
Net fee and commission income	**27,282**	24,327	12.15

2. *Other net non-interest income*

During the Reporting Period, other net non-interest income of the Group was RMB14,278 million, representing a decrease of RMB1,808 million, or 11.24%, as compared with the corresponding period of the previous year, which was mainly because of the adoption of new accounting standards for financial instruments, gains from the holding of financial assets at fair value through profit or loss recorded as other net non-interest income. The year-on-year increase would be 72.75% after exclusion of the relevant gains of RMB8,396 million.

(Unit: RMB million)

Item	**January to June 2019**	January to June 2018	Change (%)
Net trading gain	**11,442**	14,079	-18.73
Net gain arising from disposals of securities and bills	**1,801**	941	91.39
Other operating income	**1,035**	1,066	-2.91
Total	**14,278**	16,086	-11.24

(III) Operating expenses

During the Reporting Period, the Group continued to refine financial management to further optimise its cost structure. Operating expenses amounted to RMB19,224 million, representing an increase of RMB354 million, or 1.88%, as compared with the corresponding period of the previous year. Cost-to-income ratio for the period was 21.12%, representing a decrease of 3.23 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	**January to June 2019**	January to June 2018	Change (%)
Staff cost (including Directors' emoluments)	**10,285**	9,243	11.27
Depreciation and amortisation	**2,734**	1,550	76.39
Rental and property management expenses	**573**	2,003	-71.39
Office expenses	**474**	483	-1.86
Tax and surcharges	**835**	781	6.91
Business expenses and others	**4,323**	4,810	-10.12
Total	**19,224**	18,870	1.88

(IV) Impairment losses on credit

During the Reporting Period, the Group recorded impairment losses on credit of RMB29,313 million, representing an increase of RMB9,736 million, or 49.73%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in provision of impairment on loans and disposal of NPLs.

(Unit: RMB million)

Item	**January to June 2019**	January to June 2018	Change (%)
Loans and advances to customers	**28,716**	19,177	49.74
Financial assets measured at amortised cost	**401**	492	-18.50
Financial assets at fair value through other comprehensive income	**95**	-90	Negative for previous period
Long-term receivables	**295**	292	1.03
Others	**-194**	-294	Negative for both periods
Total	**29,313**	19,577	49.73

(V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB6,455 million, representing an increase of RMB422 million, or 6.99%, as compared with the corresponding period of the previous year.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

During the Reporting Period, total assets of the Group maintained steady growth. As at the end of the Reporting Period, total assets of the Group amounted to RMB6,340,658 million, representing an increase of RMB345,836 million, or 5.77%, as compared with the end of the previous year.

The components of the Group's total assets are listed below:

(Unit: RMB million)

	30 June 2019		31 December 2018		31 December 2017	
Item	**Amount**	**% of total**	Amount	% of total	Amount	% of total
Gross balance of loans and advances to customers	**3,183,961**	**50.22**	3,056,746	50.99	2,804,307	47.51
Add: Accrued interests on loans	**23,750**	**0.37**	22,742	0.38	—	—
Less: Allowance for impairment losses on loans at amortised cost	**77,706**	**1.23**	71,216	1.19	74,519	1.26
Net balance of loans and advances to customers	**3,130,005**	**49.36**	3,008,272	50.18	2,729,788	46.25
Net investment in trading and banking books	**2,178,762**	**34.36**	1,970,017	32.86	2,135,897	36.19
Cash and balances with central bank	**376,234**	**5.93**	389,281	6.49	442,938	7.50
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	**339,112**	**5.35**	337,869	5.64	271,274	4.60
Long-term receivables	**110,202**	**1.74**	110,824	1.85	101,304	1.72
Property and equipment	**48,126**	**0.76**	48,765	0.81	48,338	0.82
Others	**158,217**	**2.50**	129,794	2.17	172,547	2.92
Total	**6,340,658**	**100.00**	5,994,822	100.00	5,902,086	100.00

Note: Net investment in trading and banking books at the end of the current period and 2018 included financial assets at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets at amortised cost while financial assets at fair value through profit or loss, available-for-sale securities, held-to-maturity securities as well as loans and receivables at the end of 2017.

1. *Loans and advances to customers*

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB3,183,961 million, representing an increase of RMB127,215 million, or 4.16%, as compared with the end of the previous year. Total loans and advances to customers accounted for 50.22% of total assets, representing a slight decrease as compared with the end of the previous year.

The breakdown of loans and advances by product type is as follows:

(Unit: RMB million)

	30 June 2019		31 December 2018		31 December 2017	
Item	**Amount**	**% of total**	Amount	% of total	Amount	% of total
Corporate loans and advances	**1,892,395**	**59.44**	1,826,201	59.74	1,698,480	60.57
Of which: Discounted bills	**126,390**	**3.97**	96,523	3.16	82,650	2.95
Personal loans and advances	**1,291,566**	**40.56**	1,230,545	40.26	1,105,827	39.43
Total	**3,183,961**	**100.00**	3,056,746	100.00	2,804,307	100.00

The breakdown of personal loans and advances is as follows:

(Unit: RMB million)

	30 June 2019		31 December 2018		31 December 2017	
Item	**Amount**	**% of total**	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	**434,607**	**33.65**	415,564	33.77	373,262	33.75
Credit card overdrafts	**417,040**	**32.29**	393,249	31.96	294,019	26.59
Residential mortgage	**351,747**	**27.23**	335,502	27.26	350,986	31.74
Others	**88,172**	**6.83**	86,230	7.01	87,560	7.92
Total	**1,291,566**	**100.00**	1,230,545	100.00	1,105,827	100.00

2. *Investment in trading and banking books*

As at the end of the Reporting Period, net investment in trading and banking books of the Group amounted to RMB2,178,762 million, representing an increase of RMB208,745 million, or 10.60%, as compared with the end of the previous year, and accounted for 34.36% of the total assets, representing an increase of 1.50 percentage points as compared with the end of the previous year.

(1) Structure of investment in trading and banking books

The structure of investment in trading and banking books of the Group is as follows:

(Unit: RMB million)

	30 June 2019		31 December 2018	
Item	**Amount**	**% of total**	Amount	% of total
Financial assets at amortised cost	**1,203,632**	**55.24**	1,127,231	57.22
Financial assets at fair value through other comprehensive income	**498,062**	**22.86**	461,693	23.44
Financial assets at fair value through profit or loss	**477,068**	**21.90**	381,093	19.34
Total	**2,178,762**	**100.00**	1,970,017	100.00

(2) Holdings of financial bonds

As at the end of the Reporting Period, financial bonds held by the Group were mainly debt securities of commercial banks and policy financial bonds. The top ten financial bonds in terms of par value are as follows:

(Unit: RMB million)

Item	**Par value**	**Annual interest rate (%)**	**Maturity date**	**Allowance for impairment losses**
2018 financial bonds	5,380	3.76	2023-08-14	0.49
2016 financial bonds	4,540	3.20	2019-07-18	0.23
2016 financial bonds	3,437	2.96	2019-09-29	0.44
2016 financial bonds	3,220	3.18	2026-04-05	0.58
2019 financial bonds	3,210	3.30	2024-02-01	0.58
2017 financial bonds	3,160	4.20	2020-04-17	1.58
2018 financial bonds	2,770	3.68	2021-09-07	0.44
2018 financial bonds	2,660	4.73	2025-04-02	0.21
2017 financial bonds	2,500	4.30	2020-09-05	1.88
2013 financial bonds	2,480	2.97	2020-04-08	0.37
Total	33,357			6.80

3. *Balances and placements with banks and other financial institutions and financial assets held under resale agreements*

As at the end of the Reporting Period, balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB339,112 million, representing an increase of RMB1,243 million, or 0.37%, as compared with the end of the previous year, and accounted for 5.35% of the total assets, representing a decrease of 0.29 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

(Unit: RMB million)

Item	**30 June 2019**		
		Fair value	
	Notional amount	**Assets**	**Liabilities**
Exchange rate derivatives			
Currency swaps	1,212,982	5,407	5,774
Currency options	222,031	1,038	748
Currency forwards	73,378	485	429
Interest rate swaps	1,903,022	1,360	978
Precious metal derivatives	140,883	17,888	2,272
Credit derivatives	1,382	5	—
Others	590	23	20
Total		26,206	10,221

(II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB5,851,986 million, representing an increase of RMB288,165 million, or 5.18%, as compared with the end of the previous year.

The breakdown of the Group's total liabilities is listed below:

(Unit: RMB million)

Item	**30 June 2019**		31 December 2018		31 December 2017	
	Amount	**% of total**	Amount	% of total	Amount	% of total
Deposits from customers	**3,457,364**	**59.08**	3,194,441	57.41	2,966,311	53.81
Of which: Total deposits from customers (excluding accrued interest)	**3,427,515**	**58.57**	3,167,292	56.93	2,966,311	53.81
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	**1,194,543**	**20.42**	1,181,547	21.24	1,423,515	25.82
Debt securities issued	**719,323**	**12.29**	674,523	12.12	501,927	9.11
Borrowings from central bank and other financial institutions	**367,659**	**6.28**	429,366	7.72	482,172	8.75
Others	**113,097**	**1.93**	83,944	1.51	138,349	2.51
Total	**5,851,986**	**100.00**	5,563,821	100.00	5,512,274	100.00

1. *Deposits from customers*

As at the end of the Reporting Period, deposits from customers of the Group (excluding accrued interests) amounted to RMB3,427,515 million, representing an increase of RMB260,223 million, or 8.22%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits, personal deposits and other deposits in total deposits were 80.36%, 19.41% and 0.23%, respectively. In respect of maturity structure, the proportions of demand deposits, time deposits and other deposits in total deposits were 36.80%, 62.97% and 0.23%, respectively.

(Unit: RMB million)

	30 June 2019		31 December 2018		31 December 2017	
Item	**Amount**	**% of total**	Amount	% of total	Amount	% of total
Corporate deposits	**2,754,444**	**80.36**	2,578,613	81.42	2,455,247	82.77
Demand	**1,058,865**	**30.89**	1,104,706	34.88	1,187,367	40.03
Time	**1,695,579**	**49.47**	1,473,907	46.54	1,267,880	42.74
Personal deposits	**665,171**	**19.41**	575,289	18.16	492,008	16.59
Demand	**202,627**	**5.91**	197,933	6.25	182,652	6.16
Time	**462,544**	**13.50**	377,356	11.91	309,356	10.43
Certificates of deposit	**5,264**	**0.15**	10,444	0.33	12,069	0.41
Outward remittance and remittance payables	**2,636**	**0.08**	2,946	0.09	6,987	0.23
Total deposits from customers	**3,427,515**	**100.00**	3,167,292	100.00	2,966,311	100.00

2. *Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements*

As at the end of the Reporting Period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,194,543 million, representing an increase of RMB12,996 million, or 1.10%, as compared with the end of the previous year.

3. *Debt securities issued*

As at the end of the Reporting Period, total debt securities issued by the Group amounted to RMB719,323 million, representing an increase of RMB44,800 million, or 6.64%, as compared with the end of the previous year.

(III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB488,672 million, representing an increase of RMB57,671 million, or 13.38%, as compared with the end of the previous year. Among which, total equity attributable to equity shareholders of the Company amounted to RMB477,333 million, representing an increase of RMB57,259 million, or 13.63%, as compared with the end of the previous year. The increase in the shareholders' equity was mainly due to the increase of net profit of the Group and the issuance of undated capital bonds.

(Unit: RMB million)

Item	**30 June 2019**	31 December 2018	Change (%)
Share capital	**43,782**	43,782	—
Other equity instruments	**49,884**	9,892	404.29
Of which: Preference shares	**9,892**	9,892	—
Perpetual bonds	**39,992**	—	Nil for previous year
Reserves	**174,045**	173,269	0.45
Of which: Capital reserve	**57,450**	57,470	-0.03
Surplus reserve	**39,911**	39,911	—
General reserve	**74,396**	74,370	0.03
Other reserves	**2,288**	1,518	50.72
Retained earnings	**209,622**	193,131	8.54
Total equity attributable to equity shareholders of the Company	**477,333**	420,074	13.63
Non-controlling interests	**11,339**	10,927	3.77
Total	**488,672**	431,001	13.38

(IV) Off-balance sheet items

Balances of major off-balance sheet items of the Group are as follows:

(Unit: RMB million)

Item	**30 June 2019**	31 December 2018	Change (%)
Bank acceptances	**560,453**	518,408	8.11
Guarantees	**135,388**	136,864	-1.08
Letters of credit	**133,543**	113,207	17.96
Unused credit card commitments	**368,406**	231,054	59.45
Capital commitments	**1,069**	18,400	-94.19
Finance lease commitments	**1,574**	3,193	-50.70
Irrevocable loan commitments	**3,580**	3,988	-10.23

Note: As at 30 June 2019, operating lease commitments of the Group mainly comprised short-term lease and low-value lease, the amount of which had no material impact on the Group (31 December 2018: RMB14,149 million).

(V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支月報表》) released by the PBOC in June 2019, among nine national joint-stock commercial banks in China, as at the end of the Reporting Period, the market share of total deposits of the Company amounted to 12.76%. Among nine national joint-stock commercial banks in China, the market share of total loans of the Company amounted to 12.77%. (Note: Nine national joint-stock commercial banks in China refer to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. All data above are based on the statistics of domestic institutions of the Company. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits from and placements with non-deposit-taking financial institutions in "Total Deposits" and "Total Loans", respectively, for statistical purpose.)

V. Qualitative Analysis of Loans

(I) Industry concentration of loans

(Unit: RMB million)

Item	30 June 2019 Amount	30 June 2019 % of total	31 December 2018 Amount	31 December 2018 % of total
Corporate loans and advances				
Real estate	**460,363**	**14.46**	387,942	12.69
Leasing and commercial services	**372,684**	**11.71**	344,669	11.28
Manufacturing	**280,288**	**8.80**	305,767	10.00
Wholesale and retail	**170,248**	**5.35**	185,485	6.07
Mining	**112,365**	**3.53**	117,374	3.84
Water, environment and public utilities management	**106,043**	**3.33**	101,924	3.33
Financial services	**109,249**	**3.43**	85,139	2.79
Construction	**90,544**	**2.84**	94,069	3.08
Transportation, storage and postal service	**65,215**	**2.05**	69,469	2.27
Production and supply of electric power, heat, gas and water	**48,307**	**1.52**	48,948	1.60
Accommodation and catering	**10,449**	**0.33**	10,079	0.33
Agriculture, forestry, animal husbandry and fishery	**10,122**	**0.32**	13,916	0.46
Public administration, social security and social organisations	**6,779**	**0.21**	7,379	0.24
Others	**49,739**	**1.56**	54,041	1.76
Subtotal	**1,892,395**	**59.44**	1,826,201	59.74
Personal loans and advances	**1,291,566**	**40.56**	1,230,545	40.26
Total loans and advances	**3,183,961**	**100.00**	3,056,746	100.00

(II) Geographical distribution of loans

(Unit: RMB million)

Item	30 June 2019 Amount	30 June 2019 % of total	31 December 2018 Amount	31 December 2018 % of total
Headquarters	**439,512**	**13.80**	415,349	13.59
Yangtze Delta	**762,745**	**23.96**	720,860	23.58
Pearl River Delta	**438,669**	**13.78**	429,622	14.05
Bohai Rim	**514,064**	**16.15**	496,998	16.26
Northeast China	**77,111**	**2.42**	84,037	2.75
Central China	**414,550**	**13.02**	399,716	13.08
Western China	**465,907**	**14.63**	442,186	14.47
Overseas and subsidiaries	**71,403**	**2.24**	67,978	2.22
Total	**3,183,961**	**100.00**	3,056,746	100.00

Note: For details of the geographical distribution of institutions of the Group, please refer to Note 5 "Segment Information" to the financial statements.

(III) Classification and percentage of loans by types of collateral

(Unit: RMB million)

Item	30 June 2019 Amount	30 June 2019 % of total	31 December 2018 Amount	31 December 2018 % of total
Unsecured loans	**705,838**	**22.17**	725,263	23.72
Guaranteed loans	**593,897**	**18.65**	627,501	20.53
Loans secured by				
— Tangible assets other than monetary assets	**1,443,059**	**45.32**	1,307,324	42.77
— Monetary assets	**441,167**	**13.86**	396,658	12.98
Total	**3,183,961**	**100.00**	3,056,746	100.00

(IV) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the Group's top ten loan customers were RMB64,108 million, accounting for 2.01% of total loans and advances to customers. The top ten loan customers were as follows:

(Unit: RMB million)

Top ten loan customers	**Total loans**	**% of total loans**
A	10,203	0.32
B	7,517	0.24
C	7,212	0.23
D	6,822	0.21
E	6,137	0.19
F	5,600	0.17
G	5,419	0.17
H	5,318	0.17
I	4,980	0.16
J	4,900	0.15

As at the end of the Reporting Period, the percentages of loans to the single largest loan customer and the top ten loan customers of the Group were as follows:

(Unit: %)

Major indicator	Benchmark	**30 June 2019**	31 December 2018	31 December 2017
Percentage of loans to the single largest loan customer	≤10	**1.64**	1.78	2.69
Percentage of loans to the top ten loan customers	≤50	**10.28**	12.53	12.04

Notes: 1. Percentage of loans to the single largest loan customer = Total loans to the single largest loan customer/net capital base.

2. Percentage of loans to the top ten loan customers = Total loans to the top ten loan customers/net capital base.

(V) Five-category classification of credit assets

As at the end of the Reporting Period, the NPL ratio of the Group was 1.75%, representing a decrease of 0.01 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	**30 June 2019**		31 December 2018		
	Amount	**% of total**	Amount	% of total	Change (%)
Performing loans	**3,128,312**	**98.25**	3,002,880	98.24	4.18
Of which: Pass	**3,021,881**	**94.91**	2,899,509	94.86	4.22
Special-mentioned	**106,431**	**3.34**	103,371	3.38	2.96
NPLs	**55,649**	**1.75**	53,866	1.76	3.31
Of which: Substandard	**27,202**	**0.86**	28,648	0.94	-5.05
Doubtful	**18,192**	**0.57**	14,199	0.46	28.12
Loss	**10,255**	**0.32**	11,019	0.36	-6.93
Total	**3,183,961**	**100.00**	3,056,746	100.00	4.16

(VI) Migration ratio of loans

The table below sets forth the migration ratio of loans of the Company:

(Unit: %)

Item	**30 June 2019**	31 December 2018	31 December 2017
Pass	**1.88**	3.40	3.62
Special-mentioned	**15.40**	21.83	16.95
Substandard	**42.62**	38.51	46.54
Doubtful	**28.64**	29.14	18.90

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, the balance of restructured loans of the Group was RMB18,166 million, representing a decrease of RMB812 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.57%, representing a decrease of 0.05 percentage points as compared with the end of the previous year. The balance of overdue loans was RMB75,541 million, representing a decrease of RMB3,588 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 2.37%, representing a decrease of 0.22 percentage points as compared with the end of the previous year.

(Unit: RMB million)

	30 June 2019		31 December 2018	
Item	**Amount**	**% of total**	Amount	% of total
Restructured loans	**18,166**	**0.57**	18,978	0.62
Overdue loans	**75,541**	**2.37**	79,129	2.59

Notes: 1. Restructured loans (full name: loans after restructuring) are loans of which the terms of repayment under the loan agreement have been amended by the Bank as a result of deteriorated financial status of the borrower or inability of the borrower to repay the debt due.

2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

(Unit: RMB million)

Item	**30 June 2019**	31 December 2018
Repossessed assets	**10,715**	10,631
Of which: Real estate and land use right	**7,495**	7,406
Motor vehicles	**73**	73
Others	**3,147**	3,152
Allowance for impairment	**79**	80

(IX) Changes in allowance for impairment losses on loans

(Unit: RMB million)

Item	**30 June 2019**	31 December 2018
Opening balance	**72,208**	85,810
Charge for/release during the period	**28,716**	43,611
Write-offs and transfer out during the period	**-23,119**	-58,421
Recoveries	**1,940**	1,914
Unwinding of discount	**-579**	-947
Others	**7**	241
Ending balance	**79,173**	72,208

Method for assessing allowance for impairment losses on loans:

According to the International Financial Reporting Standards No. 9 — Financial instrument (IFRS 9) and the Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No.7) (《企業會計準則第22號 — 金融工具確認和計量》(財會[2017]7號)) issued by the Ministry of Finance, the Company adopted the new accounting standard for financial instruments and used the expected credit loss model to calculate the allowance for impairment losses since 1 January 2018. According to the new standard for financial instruments, for retail loans and non-retail loans in phase 1 and phase 2, the allowance for impairment losses is provided based on risk parameters such as probability of default (PD), loss given default (LGD) estimated by the internal rating system. For non-retail loans in phase 3, the allowance for impairment losses is provided based on the expected recovery of cash flow for each single loan. After the adoption of the new standard, the provision of allowance for loan impairment losses of the Company was more forward-looking and the level of management of allowance for impairment losses of the Company was further refined.

(X) NPLs and related measures

As at the end of the Reporting Period, the Group had NPL balance of RMB55,649 million, representing an increase of RMB1,783 million, or 3.31%, as compared with the end of the previous year.

1. Industry concentration of NPLs

(Unit: RMB million)

Item	**30 June 2019**		31 December 2018	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Manufacturing	**12,523**	**22.50**	12,352	22.94
Wholesale and retail	**4,912**	**8.83**	5,954	11.05
Leasing and commercial services	**3,004**	**5.40**	961	1.78
Mining	**2,313**	**4.16**	2,549	4.73
Real estate	**1,548**	**2.78**	1,117	2.07
Transportation, storage and postal service	**1,338**	**2.40**	855	1.59
Financial services	**1,089**	**1.96**	1,356	2.52
Agriculture, forestry, animal husbandry and fishery	**761**	**1.37**	729	1.35
Construction	**664**	**1.19**	1,225	2.27
Production and supply of electric power, heat, gas and water	**556**	**1.00**	677	1.26
Accommodation and catering	**322**	**0.58**	235	0.44
Others	**272**	**0.49**	164	0.30
Subtotal	**29,302**	**52.66**	28,174	52.30
Personal loans and advances	**26,347**	**47.34**	25,692	47.70
Total	**55,649**	**100.00**	53,866	100.00

2. *Geographical distribution of NPLs*

(Unit: RMB million)

Item	30 June 2019 Amount	30 June 2019 % of total	31 December 2018 Amount	31 December 2018 % of total
Headquarters	**11,943**	**21.46**	10,785	20.02
Yangtze Delta	**4,800**	**8.63**	5,484	10.18
Pearl River Delta	**4,682**	**8.41**	5,213	9.68
Bohai Rim	**8,619**	**15.49**	10,031	18.62
Northeast China	**4,849**	**8.71**	4,872	9.05
Central China	**13,404**	**24.09**	11,379	21.13
Western China	**6,380**	**11.46**	5,577	10.35
Overseas and subsidiaries	**972**	**1.75**	525	0.97
Total	**55,649**	**100.00**	53,866	100.00

Note: The geographical distribution is in line with the distribution shown in "V. Qualitative Analysis of Loans — (II) Geographical distribution of loans" in this report.

In order to effectively control and ensure stable asset quality in general, the Group mainly adopted the following measures during the Reporting Period:

(1) The Group continued to implement its strategy to focus on NSOEs and actively provided support to strategic NSOE customer groups, supply chain niche customer groups, customer groups with growth potential and basic SME customer groups in order to achieve high-quality organic growth.

(2) The portfolio management system was optimised, and a refined portfolio management based on customer rating and risk-adjusted return was established. Risk limits and portfolio management by industries, regions, customers and products were carried out to ensure the asset quality of new businesses. The assets structure was further improved.

(3) The Group adopted a strict set of policies for customer admittance and credit appraisal in order to minimise potential credit risk from the source. Differentiated credit approval policy was implemented and guidance was provided to business units in order to acquire customers with high quality and dispose of NPLs. The Group exited businesses with zombie companies and enterprises with insufficient production capacity and increased support for quality customers engaging in advanced manufacturing industry. The Group also continued to implement the "Dingmin Project (鼎民計劃)" and strengthened the comprehensive service system for strategic NSOEs at the Head Office and branch level. The Group conducted forward-looking prediction and issued business guidance and suggestions regularly.

(4) The Company closely followed internal and external situations. Risk early-warning and post-loan risk supervision was carried out. Relying on the risk early-warning management system, the Company realised an automatic and intelligent collection and analysing of risk information and reporting of warning information in the whole Bank. A new top-down early-warning management model with data-driven and active management was set up to further strengthen the risk management of the entire process of credit risk management. The level of refined post-loan management of existing credit granting has been further improved and post-loan management of differentiated credit granting customers has been optimised. By adopting regular and differentiated mechanisms for risk monitoring, assessment and classification, the Company continued to screen risks in relation to key industries, organisations, customers and products, so as to duly carry out risk prevention in key areas.

(5) The Company enhanced risk monitoring and screening of financial markets business. Dynamic supervision and early-warning management based on relevant information including the changes in capital market and regulatory policies as well as key risk projects were implemented, so as to prevent and reduce risks.

(6) The Company further strengthened collection and disposal of NPLs. To improve the efficiency of collection and disposal, the Company took a couple of measures including innovating collection and disposal mechanisms, optimising appraisal systems, increasing resources investment, refining differentiated collection and disposal plans for different customers, centralising collection of retail loans and strengthening supervision on policy execution. The Company also adopted comprehensive collection and disposal measures such as repayment collection, restructuring, transferring, foreclosing, taking legal action and writing-off, so as to improve efficiency of collection and disposal work.

(7) To foster and strengthen the law-abiding operation philosophy throughout the Bank, the Company strengthened rectification of banking market chaos, enhanced compliance inspections and accountabilities, tightened examinations and appraisals and increased education and trainings.

VI. Analysis of Capital Adequacy Ratio

(I) Capital adequacy ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法 (試行)》) (the "**New Rules**") and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Company and the financial institutions directly or indirectly invested by the Company in accordance with the requirements of the New Rules. As at the end of the Reporting Period, the capital adequacy ratio, core tier-one capital adequacy ratio and tier-one capital adequacy ratio of the Group satisfied the requirements of the New Rules. Among the investees in which the Group holds a majority equity interest or control, there are three rural banks with regulatory capital shortfall of RMB169 million in aggregate.

The table below sets out the capital adequacy ratio of the Group:

(Unit: RMB million)

	30 June 2019	
Item	**The Group**	**The Company**
Net core tier-one capital	433,208	412,335
Net tier-one capital	484,044	462,219
Total net capital base	623,388	599,234
Core tier-one capital	434,595	419,915
Core tier-one capital deductions	-1,387	-7,580
Other tier-one capital	50,836	49,884
Other tier-one capital deductions	—	—
Tier-two capital	139,344	137,015
Tier-two capital deductions	—	—
Total risk-weighted assets	4,865,847	4,660,374
of which: Credit risk-weighted assets	4,484,778	4,281,684
Market risk-weighted assets	101,588	109,884
Operational risk-weighted assets	279,481	268,806
Core tier-one capital adequacy ratio (%)	8.90	8.85
Tier-one capital adequacy ratio (%)	9.95	9.92
Capital adequacy ratio (%)	12.81	12.86

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Rules, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum starting from 1 January 2013. As at the end of the Reporting Period, the balance of non-qualified tier-two capital instruments of the Company which can be put into the calculation was RMB4.0 billion.

As at the end of the Reporting Period, net tier-one capital increased by RMB40,108 million, on- and off-balance sheet assets after adjustment increased by RMB68,110 million, while the leverage ratio increased by 0.49 percentage points as compared with the end of March 2019. The leverage ratio of the Group is as follows:

(Unit: RMB million)

Item	**30 June 2019**	31 March 2019	31 December 2018	30 September 2018
Leverage ratio (%)	**6.61**	6.12	6.04	5.93
Net tier-one capital	**484,044**	443,936	426,550	418,032
On- and off-balance sheet assets after adjustment	**7,322,551**	7,254,441	7,060,882	7,047,993

For details of the regulatory capital, please refer to the section headed "Investor Relations — Announcements and Disclosures — Regulatory Capital" on the Company's website (www.cmbc.com.cn).

(II) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the New Rules.

(Unit: RMB million)

Item	**30 June 2019**
On-balance sheet credit risk exposure	6,167,171
Of which: asset-backed securitisation risk exposure	187,574
Off-balance sheet credit risk exposure	947,735
Counterparty credit risk exposure	39,699
Total	7,154,605

(III) Market risk capital requirements

The Group adopted standardised approach to measure market risk capital requirements. The following table sets forth different types of market risk capital requirements of the Group as at the end of the Reporting Period.

(Unit: RMB million)

	30 June 2019
Interest rate risk	4,781
Equity risk	1,592
Exchange risk	1,553
Commodity risk	108
Option risk	92
Total	8,126

(IV) Operational risk capital requirements

As at the end of the Reporting Period, the operational risk capital requirements of the Group measured according to basic indicator approach was RMB22,358 million.

VII. Segment Report

The Group carried out its operation in its key business lines and regions. During the Reporting Period, the Group fostered the business development and strengthened the internal cooperation mechanism. A "customer-centric" management and review system was established to implement the management of customer groups. Based on the distribution of customer bases of each institution, the Group re-adjusted the business segments into corporate banking business, retail business and others for purposes of management, reporting and evaluation. Based on economic regions the institutions are located, geographical segments were re-categorised to eight segments namely, the Headquarters, Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeast China, Central China, Western China, overseas and subsidiaries for purposes of management, reporting and evaluation.

(I) Segment operating results by business line

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate banking business	4,117,194	50,013	26,832
Retail business	1,303,581	32,269	12,404
Others	887,402	4,801	-813
Total	6,308,177	87,083	38,423

(II) Segment operating results by geographical region

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Headquarters	3,224,165	35,823	16,629
Yangtze River Delta	1,065,844	12,511	8,613
Pearl River Delta	540,824	9,005	5,336
Bohai Rim	1,101,862	10,900	3,932
Northeast China	124,771	1,171	-1,368
Central China	450,508	7,012	-84
Western China	473,677	7,216	3,414
Overseas and subsidiaries	353,391	3,445	1,951
Inter-segment elimination	-1,026,865	—	—
Total	6,308,177	87,083	38,423

VIII. Other Financial Information

(I) Explanation on changes in accounting policies

During the Reporting Period, for the details of the changes on the accounting policies of the Company and their effects, please refer to Note 3 “3.3 Key changes in accounting policies” to the financial statements.

(II) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Company has formulated the Administrative Measures regarding Fair Value (《公允價值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), which expanded the scope of fair value measurement to cover certain financial assets and financial liabilities; and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Company has assigned specific working responsibilities to relevant managing departments for fair value management so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also gradually optimise and employ the valuation models and systems and strengthen the verification of prices obtained externally. Moreover, the Company has correspondingly implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting an evaluation procedure on fair value measurement which requires the person in charge and reviewer to sign off in order to give effect to the measurement. Furthermore, the Internal Audit Department actively followed and rectified related problems by supervising and checking the range determined for fair value measurement and measurement methodology and procedure, so as to improve internal control within the Company.

2. Financial instruments measured at fair value

The Company’s financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments and financial assets at fair value through other comprehensive income. In particular, the valuation methods of financial assets at fair value through profit or loss and the bond investment of the financial assets at fair value through other comprehensive income were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of Bloomberg quotes and enquiries; the fair value of most derivative financial instruments was obtained directly from quotes of market prices and assessment model, while the fair value of certain derivative financial instruments in which customers are interested was obtained from market enquiries; and the valuation of foreign exchange option was obtained from Kondor quotes. Derivative financial instruments mainly consisted of interest rate swaps in which customers have interests and proprietary instruments in which market risks had been hedged, including interest rate swaps.

(Unit: RMB million)

Item	1 January 2019	Fair value changes through profit or loss for the year	Accumulated fair value changes charged to equity	Impairment allowance for the year	30 June 2019
Financial assets					
Of which: Financial assets at fair value through profit or loss	381,093	1,876	—	—	477,068
Loans and advances to customers at fair value through other comprehensive income	98,311	—	-911	-475	128,153
Derivative financial assets	33,112	-6,943	37	—	26,206
Financial assets at fair value through other comprehensive income	461,693	—	450	-95	498,062
Total	974,209	-5,067	-424	-570	1,129,489
Financial liabilities					
Of which: Financial liabilities at fair value through profit or loss	-987	-1	—	—	-1,178
Derivative financial liabilities	-18,000	7,779	—	—	-10,221
Total	-18,987	7,778	—	—	-11,399

(III) Overdue and outstanding liabilities

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

IX. Performance of Key Business Lines

(I) Corporate and investment banking

During the Reporting Period, in active response to the new changes and challenges in market and regulatory environment, the Company captured the crucial opportunities arising from the shift in growth drivers of corporate banking business and adopted reform and business development as two major strategies, so as to promote development through transformation. It also pressed ahead the NSOE strategy, strengthened segmented management of different customer groups, improved the quality and structure of liabilities and assets, accelerated product innovation and upgrading as well as facilitated the transformation from an extensive style to a capital-saving business model. As a result, the corporate banking business was continuously expanded with enhancing competitiveness.

1. Corporate customers

During the Reporting Period, adhering to the "customer-centric (以客戶為中心)" service philosophy, the Company refined its segmented and classified service systems for different customer groups and innovated customer service models to provide comprehensive, smart and one-stop services with better customer experience. It is the objective of the Company to be "a bank with best customer experience". In terms of fundamental customer group, as at the end of the Reporting Period, domestic corporate customers with deposits of the Company increased by 62.1 thousand, or 5.32%, to 1,230.0 thousand as compared with the end of the previous year. The number of domestic customers with outstanding general loan balances of the Company was 9,094. In terms of strategic customer group, in active response to the national policy and in line with the three-year development plan proposed by the Board, the Company strengthened the coordination between the middle and back offices to further enhance its supports to strategic NSOEs by providing comprehensive and professional financial solutions under the consolidated "1+3" service model. As at the end of the Reporting Period, the Company had 650 strategic NSOE customers, representing an increase of 83.62%, as compared with the end of the previous year. Daily average deposits and total loans were RMB356,961 million and RMB405,230 million, respectively, representing increases of 84.70% and 97.76%, respectively, as compared with the end of the previous year. For SME customers, the Company built its brand of "Minsheng SME Project (中小企業民生工程)" in order to develop itself as a leading bank for SME finance with a digitalised, standardised and procedure-based SME business model. The Company also promoted its four major projects, namely "Cooperation, Foundation, Win-win and Shimmer (攜手、生根、共贏、螢火)", in order to provide SMEs with comprehensive financial and non-financial services including payments and settlements, cash management, credit facilities, supply chain and equity investment services. As at the end of the Reporting Period, the number of SME customers exceeded 140 thousand.

2. *Corporate deposits*

During the Reporting Period, the Company strengthened the development of its settlement business platform and enhanced the chain development of strategic customers, key institutional customers and core customers of supply chain. It also stepped up its efforts for the batch acquisition of SME customers and the settlement business development among the customer group under its assets business in order to comprehensively increase the contribution of general corporate deposits. The Company adjusted active liabilities in line with liquidity and interest rate trends to sustain the steady growth of deposits. As at the end of the Reporting Period, total corporate deposits of the Company amounted to RMB2,737,935 million, representing an increase of RMB176,294 million, or 6.88%, as compared with the end of the previous year.

3. *Corporate loans*

During the Reporting Period, in active response to national financial policies, the Company (1) swiftly echoed key national strategies by stepping up its support for key regions such as the Guangdong-Hong Kong-Macau Greater Bay Area and the Yangtze River Delta; (2) focused on establishment of industry infrastructure, industry upgrading and transformation of relevant aspects and set foot in strategic emerging industries such as high-end equipment and new generation of IT industry; and (3) implemented its NSOE strategy and continued to strengthen its support for NSOEs. As at the end of the Reporting Period, total corporate loans denominated in local and foreign currencies of the Company amounted to RMB1,888,170 million, among which, total general corporate loans was RMB1,762,115 million, representing an increase of RMB35,396 million, or 2.05%, as compared with the end of the previous year. The NPL ratio of corporate loans was 1.54%.

4. *Investment banking*

During the Reporting Period, the Company efficiently reformed investment banking business framework by further adopting new investment banking business models and promoting and optimising the multi-layered investment banking business and product system pillared by four key businesses and two major products, namely bond issuance and securitisation, of capital market. As a result, the transformation and development of corporate banking business was further facilitated.

During the Reporting Period, in respect of the capital market business of the Company, development has been witnessed in key areas as the fundamental customer base of investment banking was further consolidated while the management mechanism based on project categories was strengthened.

In respect of bond underwriting, the Company strengthened the multi-level business expansion and refined management and the business reserve increased significantly. The Company also strengthened risk control and improved overall quality and rating of the projects. During the Reporting Period, the Company underwrote bonds of RMB219,218 million in the interbank bond market and its ranking among all leading underwriters in the interbank bond market rose to the third.

In respect of asset securitisation, the Company continued to introduce innovative products and successfully launched the first extensible logistic warehousing REITs project in China and the first highway public securitisation project in the intra-bank market.

5. *Transaction banking*

During the Reporting Period, the Company focused on the financial demands from daily production and operation of customers, pinpointed the difficulties in customers' financing and further enhanced the services of its product lines, namely the international business, settlement and cash management, and domestic trade financing and factoring. It also optimised and improved transaction banking service solutions and provided digitalised, smart and convenient services so as to become a transaction bank with settlement and financing functions, domestic and overseas coverages as well as digitalised and scenario-based features.

Despite the adverse market environment, the international business maintained steady development with remarkable improvement in market competitiveness. During the Reporting Period, the Company promoted the integrated use of innovative products such as "single window" financial services, global cash management and "Minsheng Global Fast Payment (民生環球速匯)" to take the first-mover advantage in offering convenient cross-border trading services. To expand international business, it also actively grasped business opportunities arising from "Going Global", such as trade financing, cross-border investment and overseas project contracting, and strove to provide all-around and tailor-to cross-border financial services to "Going Global" customers as well as customers engaged in imports and exports. Through continuously exploring new business opportunities, the volume of cross-border settlements grew.

The Company modified its settlement and cash management business according to changes in customers' demands and further enriched its product offering. During the Reporting Period, the Company focused on a wide range of service demands, such as new type of settlement for strategic customers, supply chain customers, institutional customers and SME customers, group cash management and liquidity enhancement. It continuously enriched and improved the product systems of "Express (通)", "Pool (聚)" and "Earnings (盈)". Together with more mature product functions such as Housing Management Express (房管通), Tender Express (招標通) and large-amount certificates of deposit, it further raised its product competitiveness and improved customer experience.

The results of transformation of domestic trade financing and factoring business were remarkable. During the Reporting Period, the Company continuously innovated scenarised business models based on customers' needs. Typical solutions for pharmaceutical, electricity and other key industries were formed. The Company proactively promoted the scenarised matching and electronic upgrading of products such as domestic guarantees, domestic letters of credit and factoring, and effectively offered services for different customer groups under the trade and transaction categories. These efforts further enhanced the distinctive competitiveness of the Company's trade finance.

The Company continued to upgrade its digitalised services to effectively improve customers' experience. During the Reporting Period, the Company integrated and enhanced existing products, channels and services based on customers' needs and actively promoted the digitalised and smart upgrading of scenarised products in the transaction banking sector. It further standardised operation to facilitate online self-service operation of corporate business and provided corporate customers with a new model of integrated financial services of higher efficiency and convenience.

6. *Supply chain finance*

During the Reporting Period, the Company accelerated the implementation of supply chain finance layouts and further developed key businesses. Efforts were made to broaden model innovation and new scenario application and improve product system. It actively explored the use of fintech and expedited the construction of technology platforms to further enhance risk management.

The Company continued to promote expansion in key industries. It put emphasis on key businesses such as automobile, construction, pharmaceutical, liquor and home appliance. Based on the characteristics of each industry, the Company helped customers overcome their difficulties in operation by offering tailored financial solutions based on product packages and innovative services.

The Company improved and refined supply chain product series. The existing product and service systems such as "E-series of Financing Products + Settlement + Value-added (融資產品E系列+結算+增值)" were improved with a focus on receivables, payables and inventory in the supply chain. The Company enriched its products such as "Credit Financing E (信融E)", "Warehouse Receipt E (倉單E)" and "Order Receipt E (訂單E)" by further upgrading the existing product functions and optimising procedures so as to enhance customer experience.

The establishment of technology platforms was accelerated. Planning and design of the new supply chain financial platform were carried out to incorporate customers' financial needs, integrated product marketing, optimised business procedures, efficient risk control and monitoring and effective market response mechanism. Through supporting comprehensive product innovation based on industry scenarios, it enabled the establishment of a production and finance ecosystem with competitive integrated services.

Continuous efforts were made to enhance risk management. During the Reporting Period, the Company further optimised its policies and system for supply chain risk management under stronger and centralised monitoring of the Head Office. Online risk management technologies and tools were developed while supply chain risk alert and prevention mechanism was strengthened to strictly manage and control risks.

(II) *Retail banking*

During the Reporting Period, in accordance with the strategic deployment of reform and transformation for its retail banking, the Company strove for business development while carrying out its reform and transformation. Reform tasks were implemented in an orderly manner. Committed to customer group management, the Company further enhanced its standardised retail management system and stepped up its reform efforts for vertical retail management and control. The development of wealth management business was accelerated to enhance capacity per capita and per network and consolidate the foundations of both wealth management and asset management. Technologies were strengthened to speed up the development of digitalised, online and scenarised financial services. During the Reporting Period, with the successful implementation of various reforms, retail banking business recorded rapid income growth and high-quality development.

During the Reporting Period, net income from retail banking business of the Company was RMB32,269 million, representing an increase of 22.16% as compared with the corresponding period of the previous year, and accounted for 38.03% of the total income of the Company, representing an increase of 1.42 percentage points as compared with the corresponding period of the previous year. Net non-interest income from retail banking was RMB19,870 million, representing an increase of 24.44% as compared with the corresponding period of the previous year, and accounted for 61.58% of net income from retail banking and 49.14% of net non-interest income of the Company, representing increases of 1.13 percentage points and 8.27 percentage points as compared with the corresponding period of the previous year, respectively.

During the Reporting Period, the achievements of retail banking reforms and transformation are as follows:

Firstly, intermediary income from wealth management and capacity per capita increased significantly. With the successful introduction of Phase I of Phoenix Project C7+FC model, the Company adopted simplified operation model under the marketing team of distant banking and mobile banking APP. Long-term development mechanism of wealth management team was also established. Efforts were also made to develop professional support system and wealth management technology platform. During the Reporting Period, intermediary income from wealth management, agency sale of insurance and agency sale of funds amounted to RMB2,444 million, RMB974 million and RMB866 million, respectively, representing increases of 42.69%, 82.64% and 52.51%, respectively, as compared with the corresponding period of the previous year. During the Reporting Period, monthly sales of key products per wealth manager amounted to RMB52,500, representing an average period-to-period increase of 105.05% as compared with the second half of the previous year.

Secondly, the customer group management of small business finance was further developed. Under its new Small Business 3.0 (小微3.0) model, the Company planned and implemented strategies for development, promotion of data marketing and supervision of assessment and evaluation. The scope of business and social circles of small business customers was enlarged. Integrated matching and servicing portfolio of wealth management security products, such as tailor-made wealth management, insurance and funds, was provided to enhance the "1+1+N" coordinated development efficiency. During the Reporting Period, newly opened accounts, deposits and financial assets of small and micro enterprises grew steadily. In particular, the balance of deposits from small and micro enterprises increased by 20.37% as compared with the end of the previous year.

Thirdly, the business model of credit card business was transformed progressively by enhancing customer acquisition efficiency and focusing on customer quality. The Company focused on the millennial generation, high income and high-end customer group and other targeted valuable customer groups to enhance the precision of customer acquisition. New millennial customers accounted for 63.54% of the new customers. The asset structure was adjusted by enforcing the exit mechanism for high-risk customers with multiple borrowings and improving the structure of interest-earning assets.

1. *Retail customers*

The Company strengthened the management of distinctive customer groups by establishing three distinctive retail customer groups targeted at NSOE ecosystem, small business and private banking entrepreneurs, and two core customer groups targeted at the wealth management and millennials. With distinguished division of each customer group, the Company is able to precisely allocate resources to develop and improve distinctive targeted financial services for different customer groups so as to gain differentiated competitive advantages.

During the Reporting Period, the Company continued to improve its customer acquisition and customer group management. Through scenario-based customer acquisition platform and integrated online and offline channels, the Company carried out precise marketing based on segmented customer groups and strengthened the retail operation. The Company formulated specific proposals targeting segmented customer groups such as new customers, customers from agency services, elderly, dormant cards, long-tail, dual card, car owner. It also launched a series of marketing campaigns for new customers of MGM, customers from agency services, Joyful life in old age (老年樂享人生悅影季), follow-up marketing to saving product lovers (儲蓄鐵粉追銷) and long-tail mobile banking. ETC development services and family-themed activities were organised for the car owner customer group.

As of the end of the Reporting Period, the number of retail customers with deposits of the Company was 40,061.7 thousand, representing an increase of 1,667.2 thousand as compared with the end of the previous year.

2. *Financial assets*

During the Reporting Period, the Company adhered to the development strategy dually driven by "wealth management + asset business". It focused on the establishment of standardised wealth management system and developed precise digitalised marketing in order to maintain rapid growth in financial assets, resulting in strong growth in sales of key wealth management products and significant improvement in product allocation and sales ability. Its efforts in wealth management also enhanced the growth momentum of retail banking.

During the Reporting Period, the Company optimised its deposit product functions, strengthened platform support and recommended product mix. Precise operation based on customer data labelling was also implemented. Marketing of deposit products was in line with the optimisation of customer product and channel experience, and customers' needs for multi-layer allocation and precise services.

During the Reporting Period, by riding on the market trend and fulfilling customers' needs, the Company stepped up the development of its wealth management business. For products supply and allocation: firstly, the Company provided exclusive tailor-made product and service offerings targeting distinctive customer groups such as parent-children group, white-collar group, high-end medical group and small and micro customer group. Secondly, it closely followed the market trends by introducing pension FOF, fixed-term open debt at amortised cost and STAR Market IPO funds and proactively issuing fixed-income + IPO funds. Thirdly, it swiftly replenished coveted insurance products based on customers' needs and increased the supply for guarantee products such as annuity insurance, critical illness insurance and life insurance. Efforts were also made to enhance the allocation of medium- and low-risk funds and alternative for wealth management products. For the establishment of wealth management system: firstly, the Company completed to introduction of Phase I of the standardised "C7+FC" management system to the whole Bank, which is a long-term development mechanism for the core wealth management team to improve system efficiency. Secondly, it actively developed digitalised, smart and online wealth management and continued to optimise SA and other wealth management technology platforms. Launching of the mobile banking also enabled customers to manage their smart insurance products through "Minsheng Smart Insurance (民生慧保)" system.

As at the end of the Reporting Period, financial assets of individual customers under the management of the Company amounted to RMB1,724,030 million, representing an increase of RMB73,910 million as compared with the end of the previous year. Total retail deposits (including the deposits of small and micro enterprises) amounted to RMB756,088 million, representing an increase of RMB105,900 million as compared with the end of the previous year. Among which, savings deposit amounted to RMB654,204 million, representing an increase of RMB88,928 million as compared with the end of the previous year.

3. Retail loans

During the Reporting Period, under the new environment and situation of retail loans business, the Company carried out product innovation and procedure optimisation to improve its customer services and support for business development of small and micro enterprises. It also proactively satisfied the reasonable capital demands of residents for daily consumption and property mortgages. As such, retail loans maintained a steady and healthy growth.

In respect of small business finance, the Company further allocated more credit facilities to small business customer group and promoted product and service innovation. Business procedures were optimised to shorten business processing time and enhance quality and effect of services for small and micro enterprises. In respect of credit card business, due to strengthened asset restructuring, enhancement of interest-earning assets and exit of risky assets, the growth of loans remained stable. In respect of consumption finance, when granting housing loans, the Company strictly complied with macro control policies on real estates by the central and local governments. It focused on high-quality housing projects at prime locations and high-quality individual customers and supported the reasonable residential demands for home purchases in accordance with the regulatory policies. Under the brand of "Minsheng Easy Loan (民生民易貸)", the Company concentrated on consumption scenarios related to daily life and living. Based on these scenarios, it also designed consumption loan products, such as instalment products for refurbishment, e-commerce consumption and automobile leasing, which are in line with national policies and individual customers' needs for consumption financing.

As at the end of the Reporting Period, retail loans of the Company amounted to RMB1,278,116 million, representing an increase of RMB60,222 million as compared with the end of the previous year. Among which, loans to small and micro enterprises amounted to RMB424,955 million, which increased by RMB18,017 million from the end of the previous year. Consumption loans amounted to RMB436,121 million, representing an increase of RMB18,414 million as compared with the end of the previous year.

4. Small business finance

During the Reporting Period, according to the national development strategy of inclusive finance, the Company continued to strengthen the strategic positioning of a bank focusing on small business finance. It promoted the new development path of small business finance and improved its online and comprehensive services. Based on the steady growth of scale, the Company broadened its scope of services to diversify its income sources of small business finance.

The Company adopted various systematic preferential measures to support small business finance. Through internal resources allocation, incentive and evaluation, the Company boosted the development of small business finance and realised steady growth in terms of loan amounts and number of customers. During the Reporting Period, the aggregate amount of loans to small and micro enterprises amounted to RMB246,050 million. More innovative products and services were introduced, upgraded and promoted, including “Cloud Loan (雲快貸)”, “Value-added Loan (增值貸)”, “Tax-based Online Loan (納税網樂貸)” and other online loan products, which provided more convenient financing services for small business customers. Operation procedures were streamlined and standardised while business procedures were optimised to shorten the processing time in order to improve customer experience. Based on segmented customer management, the Company provided differentiated credit products and diversified financial service portfolios. The Company also further developed settlement scenarios and promoted convenient payment service platforms for industries such as education and leasing. Effective implementation and promotion of industry scenarios, such as regional supermarkets in shopping malls, tourism and parking fee payment, were carried out in order to satisfy the needs of small business finance customers for settlement and financial management. As part of the management initiatives of small finance customer group, the Company improved its comprehensive financial services and management as well as its integrated development quality. To align with the launch of “Digitalised Small Business Finance (數字小微)”, various projects commenced operation in different segments. These projects included the development of digitalised model, the establishment of mobile internet system and the upgrade of mobile banking services for small business. As such, data and systems provided further support for business operation. On Small Business Finance Open Day, roadshow activities were launched to cater to the needs of small business customers and promote the new business ideology of Small Business Finance 3.0.

5. *Credit card business*

The Company puts emphasis on both of the development and quality of its credit card business. During the Reporting Period, in terms of products innovation, the Company launched the Small Business Inclusive Credit Card (小微普惠信用卡) to improve the services for small and micro enterprises and business owners. Co-branded cards were launched with CNPC to feature credit card and pre-paid petrol card functions in a bid to satisfy the needs of the customer group of car owners. Focusing on millennial customers, self-portrait cards were launched to provide welfare services based on their preferences. In terms of customer acquisition channels, target customer groups were identified through application of labelling in selected channels to maintain the quality of customer base. In terms of business innovation, the scenario finance business system was officially commenced, allowing the Company to take the lead in the industry in terms of business efficiency and customer experience. A scenarised system for customer acquisition, instalment and preferential business was gradually adopted in online and offline quality shops.

During the Reporting Period, the credit card business of the Company was awarded various honours, such as the “Credit Card of Best Marketing and Innovation for 2018 (2018年度最佳營銷創新信用卡)”, “2018 Outstanding Cross-border Marketing and Innovation Award for UnionPay Credit Card (2018年銀聯卡跨境營銷創新推廣獎”) from China UnionPay, “Quality Cash Rebate Product Award for 2018 (2018年度優秀返現產品獎)” from VISA and “Best Considerate Companion Award for 2018 (2018年度最佳理解夥伴獎)” from JCB.

As at the end of the Reporting Period, the aggregate number of issued credit cards of the Company was 54,270.3 thousand, of which, 4,723.1 thousand were newly issued during the Reporting Period. Transaction volume of credit card business was RMB1,193,414 million. The balance of accounts receivable amounted to RMB417,040 million, representing an increase of 6.05% as compared with the end of the previous year.

6. *Private banking business*

During the Reporting Period, the private banking business of the Company was further reformed with enhanced efficiency as a result of the "three reforms" in respect of the segmented customer management system for wealth management, comprehensive services for entrepreneurs and the synergy between corporate customers and individual customers, and the product system was in compliance with the new regulations on asset management. A solid customer management system was established, and the growth rate of new customers, retention rate of customers and profitability were continuously improved. The customer group structure was further optimised and the sustainability of the business model was secured. The wealth management system was further consolidated and more private banking centres were established, resulting in better matching of segmented customers and operation capacity as well as higher productivity. Under innovative business model, synergy between corporate customers and individual customers was generated. Product structure was optimised by introducing new net-worth wealth management and structural deposits products. With products sales driven by asset allocation, product portfolios were significantly improved while customer group management has made preliminary achievements. Through continuous cooperation with professional overseas organisations, the scale of overseas assets allocated, such as overseas funds and overseas insurance, was further enlarged. The Company continuously optimised its sales channel construction with the aid of technologies to establish smart private banking to continuously enhance customer experience.

As at the end of the Reporting Period, the number of eligible private banking customers with financial assets of more than RMB8 million was 20,382, representing an increase of 5.88% as compared with the end of the previous year. The financial assets of eligible private banking customers under the Company's management was RMB377,487 million.

7. *Community finance*

In response to the national strategy of promoting inclusive finance, the Company pressed ahead with the upgrading of community finance business model and regulated management of community finance so as to achieve sustainable and healthy operation of community outlets. During the Reporting Period, the Company organised the fifth anniversary meeting of community finance with the theme of "Share Joy, Share Kindness (共享美好，溫暖長在)" and a series of marketing campaigns. These efforts resulted in higher competitiveness and marketing influence of community finance and boosted community financial capacity. As at the end of the Reporting Period, the Company had 1,254 licensed community branches and 153 small business sub-branches. Total financial assets of the community (small business) outlets was RMB266,734 million, and the average financial assets of the community network were RMB190 million. Total savings deposits was RMB94,809 million. The number of customers was 6,536.7 thousand, of which 793.1 thousand customers were at or above valid level. The customer base was further consolidated.

(III) Treasury business

1. Investment business

During the Reporting Period, the Company was prudent in maintaining the growth of its investment business in order to achieve higher efficiency. As at the end of the Reporting Period, net investment in trading and banking books of the Company amounted to RMB2,160,564 million, representing an increase of RMB206,182 million, or 10.55%, as compared with the end of the previous year. The proportion of investment in trading and banking books in total assets of the Company increased by 1.51 percentage points as compared with the end of the previous year.

2. Interbank business

During the Reporting Period, the Company strengthened the compliance of its interbank business and propelled the transformation of customer group management. Dually driven by the customer groups and products, the Company actively adjusted and optimised the interbank business structure to achieve the stable and healthy development of its interbank business.

In respect of management of customer groups, the Company adhered to the operation principle of customer group-centric approach. It established a joint interbank marketing mechanism, formulated marketing guidelines for classified interbank customers and marketing plans for key interbank customers and effectively strengthened synergy among interbank customers and integrated marketing. It further classified customer segmentations and adopted differentiated marketing management system to different customer groups. With the steady promotion of the assessment of star customers, differentiated marketing management system was established based on customer value. The Company continuously promoted the brand of "Minsheng Interbank Business e+ (民生同業e+)" by participating in interbank cooperation summits and interactions with regional customers.

In respect of product, the Company strengthened the management of interbank business operation by improving the stability of interbank liability and reducing liability costs. As at the end of the Reporting Period, interbank liabilities (including IBNCD) amounted to RMB1,656,014 million, representing an increase of 2.50% as compared with the end of the previous year. Interbank assets amounted to RMB333,525 million, representing a decrease of 1.19% as compared with the end of the previous year. During the Reporting Period, 265 tranches of IBNCD were issued with an accumulated scale of issue of RMB388,756 million. The balance was RMB465,180 million, representing an increase of 6.70% as compared with the end of the previous year.

3. Custody business

By doing in-depth market analysis, the Company actively responded to market changes and grasped strategic opportunities arising from the net-value transformation. It focused on custody products such as public funds, banking wealth management and asset securitisation. According to the general concept of "Establishment of platform, mechanism and innovative model", an integrated precise marketing system with coordination among the Head Office, branches and sub-branches was established to form interlocking supervision. Feedbacks were provided and key customers' evaluation and early warning mechanism were set up. "One bank one policy (一行一策)" and "one customer one strategy (一戶一策)" were also implemented. The asset custody business realised rapid growth. As at the end of the Reporting Period, the balance of assets under custody of the Company (including the proceeds of various types of funds under supervision) amounted to RMB9,349,126 million. Revenues generated by custody business was RMB2,512 million.

In respect of pension business, capitalising on the opportunities arising from multi-pillar policies of improving and developing pensions in China, the Company consolidated the strategic positioning of pension business. As a qualified player for the custody and management of annuity account, the Company established product lines covering corporate annuity, occupational annuity, pension products and retirement security products to further improve operation and service level of pension business and provide corporate and individual customers with quality annuity management. As at the end of the Reporting Period, the Company had RMB435,368 million pension funds under custody, and managed 180.8 thousand personal accounts.

4. Wealth management business

During the Reporting Period, to cope with the slowdown of domestic economic growth and disruption of international economic and trade disputes, under the leadership of the Board and Senior Management, the Company deepened the reform of its wealth management business and facilitated the sound development of wealth management. With an aim to establish compliance system and control risks effectively, the Company actively propelled the net-value transformation of wealth management products and enriched its net-value product series. As a result, scale and type of net-value products continued to grow. Moreover, the Company strictly complied with major national strategies and continuously introduced financial services concerning the well-being of the general public and supported the development of real economy with the direct or indirect participations in various financial instruments using wealth management funds. As at the end of the Reporting Period, the existing scale of wealth management products of the Company (excluding structural deposits) amounted to RMB864,128 million.

5. *Precious metals and foreign exchange trading*

During the Reporting Period, the on-floor trading volume of gold, including agency sales for legal persons and individuals, of the Company in the precious metals market (i.e., the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 1,543.67 tons, and the trading volume of silver, including agency sales for legal persons and individuals, amounted to 3,458.91 tons. The total trading value amounted to RMB467,842 million. In terms of on-floor gold trading value, the Company was among top five dealers at the Shanghai Gold Exchange, one of the most active proprietary dealers at the Shanghai Futures Exchange as well as one of the important domestic block gold importers.

During the Reporting Period, the Company leased 10.64 tons of gold to its corporate customers, ranking the third in the market. The Company sold 450.13 kilograms of physical gold products of its own brand to individual customers. The Company effectively satisfied the demands of customers with diversified products. The outlook of further progress in the market was broad.

During the Reporting Period, the transaction volume of domestic spot settlement of the Company amounted to USD327,858 million, representing an increase of 19.18% as compared with the corresponding period of the previous year. The transaction volume of forward settlement and sale of foreign currencies and RMB foreign exchange swap of the Company amounted to USD627,785 million, representing a decrease of 12.34% as compared with the corresponding period of the previous year. The Company actively conducted innovative product business concerning option and its portfolios. The transaction volume of RMB foreign exchange options maintained a relatively high level at USD58,830 million, ranking fourth among peers.

(IV) Internet finance

During the Reporting Period, further consolidating the strategic positioning to become "a fintech-based bank", the Company actively explored cutting-edge fintech and upgraded its internet financial platform. Continuous innovations were made in products and services in relation to direct bank, retail internet finance, corporate internet finance and online payment, which greatly improved the services of internet finance. The Company remained one of the top commercial banks in terms of market share and brand influence.

1. *Direct bank*

During the Reporting Period, the Company accelerated its reform and transformation and further improved its internet banking system and mechanism. It launched the innovative BBC open-ended integrated financial cloud service model to provide open-ended, personalised, flexible and efficient financial solutions for the individual customers, B-end enterprises from upstream and downstream enterprises along the industry chain. It also innovated customer acquisition approaches by digging into service scenarios. Cooperating with various types of platform enterprises including Ant Financial, Huawei, airlines, the three major telecom operators in transition of customer flows, the Company acquired customers in batches, which contributed to a rapid growth in its market share. The Company further enriched product offerings by enhancing the competitiveness of its products including Ru Yi Bao (如意寶), Hui Xuan Bao (慧選寶), Minsheng Jin (民生金) and Fund Express (基金通) and developing online loan business such as Minsheng Hao Fang (民生好房), Minsheng Hao Che (民生好車) and Minsheng Hao Jie (民生好借). Public online banking products such as Easy Distribution (分銷易), Supervision of Fund Selling (基金銷售監督) and Open Cashier (開放收銀台) were also developed. The brand effect of direct bank was significant. During the Reporting Period, the Company received various awards, including the "Best Direct Bank Award (最佳直銷銀行獎項)" from qq.com and the "Best Ten Innovative Consumption Financial Product Award (十佳消費金融產品創新獎)" by The Banker magazine, which further consolidating the Company's leading position in internet finance.

As at the end of the Reporting Period, total number of direct bank customers was 24,062.9 thousand and financial assets managed by the Company amounted to RMB127,238 million.

2. *Retail internet finance*

During the Reporting Period, the Company continued to innovate its mobile banking and online banking functions and optimised the customer experience. It was among the first batch in the banking industry to introduce money transfer function via mobile phone numbers built on the intra-bank payment system of the PBOC, significantly improved the convenience and safety of bank transfer. It was also among the first batch in the banking industry to offer the transfer function of certificates of deposits and the product of interest-bearing certificates of deposits by instalment to better satisfy customers' liquidity needs. New functions of credit card customers such as exclusive consumption loans, credit renewal of consumption loans, red packets of consumption loans were launched so that customers enjoyed quick loan services online. Online and offline service resources were integrated and cloud manager services were introduced to enhance online service quality. Though the application of new technologies, the security of transactions was strengthened. For example, face identification and verification were applied for large sum of bank transfer to enhance the security of transactions.

As at the end of the Reporting Period, the number of individual e-banking customers was 52,105.4 thousand, representing an increase of 4,201.5 thousand as compared with the end of the previous year. The number of transactions completed during the Reporting Period was 171 million with the transaction amount of RMB3.24 trillion. In terms of customer transaction activity, the Company remained its leading position in the banking industry.

3. *Corporate internet finance*

During the Reporting Period, the Company focused on the establishment of corporate internet financial platform featuring with PC and mobile distinctive services in order to better serve real economy and facilitate the rapid development of corporate business. The Company further differentiated its services based on the segmentations of its customer groups. For large-size and core enterprises, the Company introduced new version of corporate internet bank and further optimised the integration of corporate internet bank and the synergy between banks and enterprises. For SMEs, the Company launched distinctive mobile platform and new version of mobile corporate banking to meet customers' demands for fast and convenient financial services. It continued to develop corporate service platform for small business to offer them with more diversified Wechat-end products.

As at the end of the Reporting Period, the Company had signed contracts with 1,262.8 thousand corporate internet bank customers. During the Reporting Period, the number of transactions was 33,054.0 thousand and total transaction amount was RMB23.41 trillion. The number of enterprise customers directly connected with bank was 1,728 with annual average daily deposits of RMB410,317 million.

4. *Online payment*

During the Reporting Period, focusing on the two core systems of "mobile payment and online acquiring (移動支付+網絡收單)", the Company strengthened product research and development and business innovation, identified market needs and explored industry application. The internet payment services and brand influence of "Minsheng Payment® (民生付®)" were continuously enhanced. To foster the development of inclusive finance, it further improved its mobile payment function, which supported the payment of class I/II/II accounts, covered various scenarios such as transfer, payment and cash withdrawal and promoted the electronic wallet proposal of "account + payment". By upgrading the online order acquiring system and introducing cashier with the connection of payment gateway, the Company provided shops with comprehensive intra-bank order acquiring services. Innovative fund collection and payment comprehensive solutions were designed for industries such as logistics, public rental apartments and trust, satisfying industry customers' personalised payment and settlement needs. Fund settlement solutions in trial platforms were for platform e-commerce vendors in order to provide settlement services in compliance with regulations. The Company strengthened its shop operation management to ensure the sustainability and compliance of its business development.

As at the end of the Reporting Period, the number of customers using "Kua Hang Tong (跨行通)" of the Company totalled 4,395.6 thousand, and the number of merchandisers using online payment services was 1,246. During the Reporting Period, accumulated transaction amount of Kua Hang Tong (跨行通) recorded RMB41,169 million and total amount of online payment transactions was RMB3.29 trillion.

(V) Overseas business

During the Reporting Period, under the stringent market environment and regulatory pressure, the Hong Kong Branch actively followed the Company's development strategy, implemented reform and transformation as well as the three-year development plan and continued to strengthen the three major businesses, namely the corporate banking business, financial markets business and private banking and wealth management business, serving as an overseas business platform of the Company.

Capitalising on the cross-border synergy with the Head Office and grasping the strategic opportunities arising from the "Guangdong-Hong Kong-Macau Greater Bay Area" and others, the Hong Kong Branch focused on providing professional cross-border financial solutions for quality "going global" customers in compliance with the outbound investment policies of China. The Hong Kong Branch focused on the capital market, expanded its featured business and recorded a remarkable income from investment banking businesses, such as syndicated loans, loans for merger and acquisition and structured financing. Cooperations with State Grid Corporation (國家電網), Mutual Fund of Greater Bay Area (大灣區共同基金), Yashili (雅士利) and other enterprises with high influence in the industry were successfully launched, which strengthened the Company's services in capital market and new economic sectors.

Capitalising on the strategic position of Hong Kong as an international financial centre, the Hong Kong Branch actively expanded its financial markets business. During the Reporting Period, the Hong Kong Branch actively developed bond investment and trading and structured notes investment, achieving growth in return rate. As at the end of the Reporting Period, balance of bond investment of the Hong Kong Branch was HKD59,545 million. During the Reporting Period, bond issuance business achieved record high. As of the end of the Reporting Period, the global ranking of the Company in terms of underwriting scale of foreign bonds issued by Chinese companies sharply rose to the 16th and the underwriting scale of US dollar-denominated bonds for urban investment ranked first in the market, reflecting the Company's brand influence and market position in the overseas bond markets. The custody business of Hong Kong Branch maintained a rapid growth with the scale exceeding HKD27,223 million. Meanwhile, a custody sub-brand, "Cross-border+ (跨境+)", was released in China in line with the strategy of the Head Office.

During the Reporting Period, individual business of the Hong Kong Branch continued to grow rapidly. The individual wealth management of Hong Kong Branch was positioned as an internet-based simplified bank based on online banking and mobile banking. Focusing on cross-border wealth management business, the Hong Kong Branch aims to expand its share in medium- and high-end individual markets and develop itself into a platform under the Company to acquire and serve medium- and high-end customers in order to further enhance the cross-border comprehensive financial services. During the Reporting Period, the Hong Kong Branch promoted the launching of online fund service platform in an orderly manner and became one of the few PRC-owned joint-stock commercial banks with online fund management platform in Hong Kong. As at the end of the Reporting Period, the number of customers who had opened accounts for personal wealth management exceeded 50,000, with total deposits of HKD4,080 million. The sales of "Minsheng Insurance (民生保)", a high-end retail banking product series, recorded 212 transactions in total with the total insurance premium amounting to HKD3,121 million.

(VI) Distribution channels and operating services

1. Physical distribution channels

An effective domestic distribution network was established by the Company, which extended its business coverage to all provinces in Mainland China with focus on Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Company had covered 125 cities in Mainland China, including 132 branch-level institutions (including 41 tier-one branches, 82 tier-two branches and 9 remote sub-branches), 1,144 business outlets of sub-branches (including business departments), 1,254 community sub-branches, 153 small business sub-branches and 3,225 self-service banks (including on-site and off-site self-service banks), 6,550 self-service machines and 976 remote service equipment.

2. Channel transformation

The Company proactively promoted innovations in operation models of channels and continued to introduce and optimise customer-friendly bank hall, which facilitated the transformation of the bank hall of outlets into an integrated distribution channel offering customer-centric advisory and sales services. As at the end of the Reporting Period, a total of 1,033 outlets completed the customer-friendly bank hall transformation, accounting for 91.01% of all outlets.

3. Channel service

In order to maintain the customer experience, the Company monitored the service quality of different channels and optimised monitoring standards in order to improve customer services. During the Reporting Period, the Head Office monitored the service quality of all manual service channels of the Bank. NPS supervision was introduced systematically in order to refine services from customers' perspective and maintain quality services across the whole Bank.

4. Operation management

Subject to the regulatory requirements of competent authorities, the Company endeavoured to pursue innovation and reforms on business operation adhering to the principle of "strengthening internal control, facilitating compliance, carrying out risk prevention, enhancing capabilities and promoting growth". Through value-oriented procedure monitoring, data-driven operation management and control, model-based risk management and other approaches, the Company strove to improve its operation efficiency and customer experience. The Company implemented the requirements stipulated under the "Pilot Program of Cancelling the Issuance of the License for Opening Enterprises' Bank Accounts (試點取消企業銀行賬戶開戶許可證核發)" and further optimised the account opening services for enterprises. Responding to the state's requirements of "deepening the development of inclusive finance and promoting fintech innovation", the Company accelerated the construction of remote banking operation services characteristics of inclusiveness and convenience and continuously improved the customer experience.

(VII) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the Company had investments in subsidiaries amounting to RMB6,491 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008. 51.03% equity interest of Minsheng Financial Leasing was held by the Company.

During the Reporting Period, in addition to firmly implementing the three-year plan, Minsheng Financial Leasing also promoted high-quality and featured development through streamlining business, focusing on highlighted areas and lightening its capital, which reflected the positive results of its strategic reform and development. As at the end of the Reporting Period, total assets and net assets of Minsheng Financial Leasing amounted to RMB171,950 million and RMB18,097 million, respectively.

Firstly, the Company streamlined its businesses in an active manner. It reduced overdue and non-performing assets, inefficient operating lease assets and implemented plans for disposal of inefficient assets, industries with potential risks or limited growth prospects and quasi credit business to continuously optimise and improve its asset structure and quality. The Company also promoted to streamline its management and implemented comprehensive reforms, so that the operation processes of its businesses were further accelerated and the work efficiency was further improved.

Secondly, the Company focused on highlighted areas. It focused on leasing areas such as aircraft, vessels and vehicles, and strove to create three core strategic segments of aircraft, vessels and vehicles with distinctive features and outstanding profitability. In addition, the Company also focused on the strategy of "One Body and Two Wings (一體兩翼)", and the proportion of assets under and profits from operating leases and asset transactions have gradually increased.

Thirdly, the Company lightened its capital. It accelerated asset turnover and strengthened and expanded asset transaction business to increase revenue from asset turnover. It also focused on the development of low-capital consumption business and gradually improved its profit structure to increase the revenue proportion of operating lease income, service income and non-profit spread income.

In addition, focusing on "One Minsheng" strategy of the Group, the synergy model was optimised and management capabilities complementary to that of the Head Office was enhanced continuously. The Company strengthened its risk management and control and combined business risk with management risk to consolidate basic management and establish a risk prevention and control structure which would ensure sound development. The Company closely monitored its credit risk during the economic downturn, highly emphasised its market risks in the complex environment and strengthened its compliance and morality risk management and control under stringent regulatory conditions.

2. *Minsheng Royal Fund*

Minsheng Royal Fund is a Sino-foreign fund management joint venture company established in November 2008 under the approval of the CSRC. 63.33% equity interest of the Minsheng Royal Fund was held by the Company. It mainly engages in fund raising, fund sales, asset management and other business approved by the CSRC.

As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB1,861 million and net assets of RMB1,004 million. A total of 49 public funds were managed under Minsheng Royal Fund, which covered various types with high, medium and low risks and cross-border products. Total funds under its management was RMB145,903 million, of which non-monetary funds under its management was RMB110,300 million, ranking 16th among 135 public fund companies. Minsheng Royal Fund also managed 58 private equity management plans with a management scale of RMB40,742 million.

The performance of medium- and long-term investments of Minsheng Royal Fund was remarkable. According to the data of Galaxy Securities Fund Research Centre (銀河證券基金研究中心), as at the end of the Reporting Period, Minsheng Royal Fund ranked 5th out of 70 funds in terms of the active management capacity for five-year equity investment, which was among the top 7%. It also ranked 6th out of 58 funds in terms of the active management capacity for five-year debts, which was among the top 10%. During the Reporting Period, Minsheng Royal Fund was awarded four more Golden Bull awards, also known as the Oscar award for the fund management industry, namely "2018 Fixed Income Investment Golden Bull Fund Company (2018年固定收益投資金牛基金公司)", "Most Trusted Golden Bull Fund Company (最受信賴金牛基金公司)", "Five-year Open Hybrid Continued Superior Golden Bull Fund (五年期開放式混合型持續優勝金牛基金)" and "Most Popular Golden Bull Fund Manager (最佳人氣金牛基金經理)". With outstanding results, Minsheng Royal Fund has won 17 "Golden Bull awards (金牛獎)" in recent seven years, showing high recognition by the investors and the industry on its investment capacities and overall strengths.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 51% equity interest of Minsheng Royal Asset Management. Minsheng Royal Asset Management's registered capital was RMB668 million and the scope of business included private equity asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB55,211 million.

3. *CMBC International*

CMBC International is a wholly-owned subsidiary of the Company established on 11 February 2015 in Hong Kong with the approval of the former CBRC. It has a registered capital of HKD3,000 million. CMBC International and its subsidiaries have licenses granted by the Securities and Futures Commission to carry out activities of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management). The principle business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory on merger, acquisition and reorganisation, underwriting and issuance of bonds, asset management, securities brokerage, direct investment and structural financing. CMBC International is an important strategic platform for the integrated development and international expansion of the Company and will closely cooperate with the Company so as to offer all-round, diversified and one-stop financial services to the Company's customers.

As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD21,601 million and HKD17,464 million, respectively. Net assets amounted to HKD4,137 million. During the Reporting Period, net profit of CMBC International amounted to HKD226 million, representing an increase of 36.97% as compared with the corresponding period of the previous year.

During the Reporting Period, through adhering to the "One Minsheng (一個民生)" strategy and an updated version of "One Body and Two Wings (一體兩翼)" strategy, CMBC International further optimised the structures of products and customers of investment and financing business to promote the revenue from and the market position of investment banking and asset management businesses in a comprehensive manner. During the Reporting Period, CMBC International submitted application documents of four IPO projects to the SEHK for listing on the main board, undertook one more financial advisory project on merger and acquisition and reorganisation and completed 49 offshore US dollar/Euro bond issuance underwriting with a total underwriting amount of USD15,236 million. The asset management business has benefited from the active PRC-capital offshore bond market and achieved satisfactory returns. Revenue from underwriting and issuance of securities, sponsorship of listing in Hong Kong and financial advisory on merger and acquisition and reorganisation experienced rapid growth, and the brand of investment banking services of CMBC International has been well-established. During the Reporting Period, CMBC International strictly complied with regulatory requirements and was dedicated to strengthening its corporate governance, compliance management and internal control system, which improved the overall risk prevention and control.

4. *Minsheng rural banks*

Minsheng rural banks collectively refer to the rural banks initiated and established by the Company as a major promoter. As at the end of the Reporting Period, the Company established a total of 29 Minsheng rural banks with 85 business outlets. Total assets amounted to RMB33,863 million. Net asset amounted to RMB3,319 million, outstanding balance of loans amounted to RMB19,482 million and balance of deposits amounted to RMB27,637 million.

During the Reporting Period, the Company adopted measures in compliance with the relevant requirements of the Board to maintain "effective risk control, steady business development and effective internal management". The Company promoted Minsheng rural banks to follow strategy of vitalising rural areas and develop localised services for the rural areas, agriculture and farmers, small business customers as well as residents in communities. The Company specified its business positioning, explored local markets and improved service quality so as to explore a business model of sustainable development. Work has also been done to develop Minsheng rural banks as important platforms to perform the social responsibilities and effectively expand the Company's brand and service coverage to county areas.

The Company strictly complied with regulatory requirements, earnestly fulfilled the duties and further optimised the management system and mechanism of Minsheng rural banks. The Company continued to improve the technology system of rural banks and strengthen support in management and services so as to improve Party organisation building, corporate governance, risk management, compliance operation and team building of rural banks. Capital replenishment of certain rural banks contributed to the healthy and sustainable development of Minsheng rural banks.

5. *Structured entities consolidated to the financial statements of the Group*

Structured entities consolidated to the financial statements of the Group mainly comprised of principal-guaranteed wealth management products issued and managed by the Group. The Group provided a commitment to the principal of such wealth management products with the investment and corresponding liabilities of such wealth management products separately accounted for as financial assets measured at fair value through profit or loss and deposits from customers.

6. Management of consolidated financial statements

During the Reporting Period, the Company adhered to its "One Minsheng" strategy by focusing on its strategic positioning as "a bank for NSOEs, a fintech based bank and a bank of comprehensive services". The Company also continues to strengthen the management of its subsidiaries through enhancing communication between the parent company and its subsidiaries for continuous improvement of the operation and comprehensive service capabilities of the Group.

The Company implemented the requirements of regulatory authorities on the management of subsidiaries. It refined the management mechanism for major issues of subsidiaries such as corporate governance, equity optimisation, capital replenishment, executive management, risk management and compliance and internal control, and continuously expanded the depth and breadth of the overall management of the Group. The Company improved the technological system for the management of consolidated financial statements, which promoted the quality and efficiency of management of consolidated financial statements. The Company organised 2018 annual evaluation for the management of consolidated financial statements and actively promoted the continuous rectification of issues identified during internal audits, which achieved remarkable results. The Company also stressed on the effectiveness and efficiency of the management of consolidated financial statements and the capabilities required. Through trainings on the management of consolidated financial statements, the Company has promoted the normalisation and standardisation of the management and guidance of subsidiaries by the department in charge of the management of consolidated financial statements.

X. Risk Management

The principle of the Company's risk management is "Creating Value by Managing Risks". It focuses on the coordinated development of quality, profit and scale. The objective of the risk management of the Company is to enhance its risk management by actively establishing a comprehensive risk management system.

(I) Credit risk

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in a timely manner in full amount for whatever reasons. Under the coordination of the Risk Management Commission of the Company, a platform consisting of risk management strategies, portfolio management and risk measurement tools has been established to control risks and support the strategic business transformation. The risk management system covers the whole process including preapproval investigation, approval review, post-loan management, collection and preservation of assets. Credit risks of on- and off-balance sheet items and non-credit business are also strictly controlled. Under the new economic circumstances, the Company will strive to strengthen the initiative and foresight of credit risk management in line with the changes in the macroeconomic and financial situation.

During the Reporting Period, the Company proactively took a series of measures to ensure the prudent and healthy development of all business lines, such as optimising the standards for customer admittance, facilitating business restructuring, promoting application of risk measurement tools, innovating the risk management approaches and strengthening asset quality management.

Firstly, the Company strengthened policy guidance and optimised portfolio management. The management policies relating to credit risk of the Company covered various investment and financing businesses with clear entry barrier. Portfolio management applies definite indicators which highlight differentiation for NSOE customers, SME customers and strategic customers with corresponding supporting policies to ensure strategic business development. The Company strengthened the management of major risks, improved the risk-adjusted income level and further optimised its asset structure. Secondly, the Company further carried out the strategy of being a bank for NSOEs and provided services for NSOEs in four aspects. In terms of scale, the Company continued to expand the overall financing scale for NSOEs. In terms of industries, the Company encouraged industries involving active participation of NSOEs and industries with high potentials on a selective basis. In terms of regions, the Company implemented differentiated development strategies for regions with greater economic potential for NSOEs. In terms of products, the Company provided full range of products to fulfil financing needs of NSOEs. Thirdly, the Company promoted the strategy of being a bank for SMEs. In face of fierce market competition and insisting on providing secured credit to SMEs, the Company accelerated its business innovation and promoted research, development and pilot implementation of SME guarantee business to update risk models and optimise loan processing for SMEs and to improve operating efficiency and customer experience. Fourthly, the Company responded to capital market risks in a proper manner. It carried out assessment on changes in the capital market in advance and implemented dynamic monitoring and early warning management based on the risk characteristics of businesses relating to the capital market, and prevented and mitigated risks effectively. On the basis of refined management, the Company implemented the principle of "one policy for one customer (一戶一策)" and solved problems under development. Fifthly, the Company improved its working efficiency in terms of risk warning. It continued to optimise the early-warning management system, "compass", and the early-warning system, "tianyan (天眼)", of the retail banking business to establish a proactive management system for monitoring and early-warning and to improve the Company's ability of handling and early-warning of various risks in a rapid manner. Sixthly, the Company strengthened the quality control of its assets. The Company strengthened the asset quality supervision for key branches by enhancing accountability under the target of asset management. The Company initiated innovation in management mechanism for disposal and collection and strengthened cash collection to improve collection efficiency. The Company also achieved effective control of asset quality through various measures such as allocating additional resources and writing off and transferring non-performing assets. Seventhly, the Company promoted the application and upgrading of risk management tools. Risk management was enhanced with the application of big data, AI and other advanced technologies. Risk measurement results were also applied in areas including credit approval, risk authorisation, credit limit setting, asset impairment and risk report.

(II) Market risk

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. The Company manages its interest rate risk, exchange rate risk, stock price risk and commodity price risk in accordance with the regulatory requirements and the rules of the Basel accords. The Company continuously improves its market risk management system in the areas of quota management, measurement, middle office supervision, stress test and contingency management to cope with the increasingly volatile environment of banking industry.

During the Reporting Period, the Company continued to enhance the proactive management of market risks and pressed ahead with various management tasks progressively. Firstly, the Company promoted its market risk management through optimising the system of risk measurement and daily monitoring and developing related supporting technologies. Secondly, the market risk management of off-balance sheet business was further enhanced when asset management business shifted its focus to net-value products. Thirdly, the measurement of default risk by counterparties of derivatives transactions was implemented, which also facilitated the application and upgrading of market risk measurement tools. Fourthly, market risk management on subsidiaries at group level was also promoted.

(III) Liquidity risk

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds in a timely manner or to cope with increase in assets or fulfill debt obligations at reasonable costs despite its solvent position. The targets of the liquidity risk management of the Company are to improve the management and measurement of liquidity risk and to strengthen the abilities to identify, monitor and measure liquidity risk, so that liquidity risk tolerance could remain at a safe and stable level with sufficient capital for the development of businesses. The Company also raises core liquidity risk control indicators to ensure that under stress circumstances, sufficient assets of high liquidity are available to be transferred to cash. It also aims to enhance the capital efficiency with tolerable risk exposure.

During the Reporting Period, the measures concerning liquidity risk management taken by the Company were as follows: Firstly, the Company adjusted its liquidity management strategies on a quarterly basis dynamically and strengthened forward-looking arrangements for market anticipation and funding positions. Secondly, the Company continuously strengthened the safeguard mechanism for core liquidity indicators and improved emergency management and stress test. Thirdly, the Company strengthened its management of current assets of high quality to ensure liquidity safety and fulfilment and steady improvement of liquidity indicators. Fourthly, the Company continuously improved the liquidity management system and enhanced policies and system assurance.

(IV) Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and IT system or external events. The operational risk of the Company mainly comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes.

During the Reporting Period, the Company continued to focus on key aspects of operational risk management, and its operational risk management capability was further enhanced. Firstly, the Company made full application of the three major operational risk management tools, improved the operational risk identification system, optimised the management of key risk indicators and refined the damaged data verification mechanism, which formed a normalised operational risk monitoring and reporting process. Secondly, the Company carried out business continuity management and management of recovery and disposal plans in an effective manner. The Company comprehensively optimised its business continuity management system and prepared updated recovery and disposal plans, so that its emergency response and recovery mechanism for key businesses was improved and its risk management and crisis response capabilities were strengthened. Thirdly, the Company achieved effective outsourcing risk management by strictly complying with rules and organising various inspections, which strengthened the information technology risk management of businesses outsourced and effectively prevented and controlled the risk of outsourcing activities.

(V) Country risk

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to banking financial institutions, or banking financial institutions suffering from commercial losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region.

During the Reporting Period, the Company continued to strengthen the identification and management of country risk. Firstly, according to relevant requirements stipulated in the Country Risk Management Measures of China Minsheng Bank (《中國民生銀行國別風險管理辦法》), the Company strengthened structure and responsibilities of its country risk management such as three lines of defence against country risk and the execution of procedures, including identification, measurement and monitoring of country risk. Secondly, the Company published the rating and quota of country risk for 2019. Country risk ratings and annual risk quota management of major countries and regions were realised through qualitative and quantitative indicators. Thirdly, the Company implemented standardised management of country risk reserves, provided risk-related allowances in full and promoted the application of country risk reserves to management accounting. Fourthly, the Company supervised country risk on a monthly basis and monitored the quota control, distribution of country risk exposure and public sentiment in relation to major country risk. Fifthly, the Company improved the country risk management information system in relation to cross-border business approval and lending process.

(VI) Interest rate risk in banking book

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily caused by the mismatch of the maturity profiles and benchmark rates between financial positions and instruments of the banking book as well as embedded options. It can be classified into gap risk, benchmark risk and option risk according to the risk categories.

During the Reporting Period, the Company continued to strengthen the management of interest rate risk in banking book by improving the identification, measurement, monitoring, control and mitigation. Firstly, adhering to the principle of "two-track integration (兩軌併一軌)", the Company strengthened research on the monetary market and predication of interest rate trends, continued to monitor interest rate risk in banking book and improved the management and control of maturity mismatch and investment duration. Secondly, pursuant to the framework of interest rate risk in banking book, the Company refined policy-making framework of risk management, including risk strategies, risk appetite and quota system. It also strengthened management of consolidated financial statements so as to enhance risk control of business units. Thirdly, the Company optimised the asset and liability management system through which the Company regularly monitored the re-pricing of financial positions and instruments upon each maturity. It also measured and analysed interest rate risks in banking book, through re-pricing gap analysis, duration analysis, scenario analysis and stress testing. Fourthly, the Company continuously improved its techniques and methods of model management and further enriched its models to ensure the accuracy of risk measurement.

(VII) Reputation risk

Reputation risk of commercial banks refers to the risk of negative evaluation of commercial banks and the overall banking industry by relevant interested parties, the media and the society as a result of the poor operation or management and other actions in breach of the national laws and regulations, social ethical standards or applicable internal rules by the commercial banks or their staff, or due to other external customers or events.

The Company placed great emphasis on its reputation risks and strove to promote favorable and stable internal and public opinions for its strategic transformation and long-term operation development. During the Reporting Period, the Company fully implemented the Guidelines for the Management of Reputation Risk of Commercial Banks (《商業銀行聲譽風險管理指引》) and the Administrative Measures on Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法》), in order to further improve its reputation risk management. Firstly, the Company further promoted its positive image through various channels. Secondly, the Company promptly evaluated potential threat of contagion risk to predict potential public opinion risks, deployed special monitoring, and formulated plans in advance. Thirdly, the Company put great efforts in mitigating reputation risks and potential threat and proactively and effectively minimise the losses of, and adverse impact on, the public.

(VIII) Information technology risk

Information technology risk is the operational, legal and reputational risk due to natural factors, human factors, technical flaws and management defects in relation to the application of information technology in a commercial bank.

During the Reporting Period, the Company implemented information technology risk management in all areas, including information technology governance, information system development and maintenance and information safety. Firstly, the Company implemented strategies to position itself as a fintech bank and accelerated the reform and transformation under the guidance of medium- to long-term plans for information technology development. Secondly, the Company improved its data management to enhance the quality of data. The Company enhanced its big data capability through speeding up the establishment of data mining model system and application delivery of key business data. Thirdly, the Company put more efforts in research and development and promotion of new technologies. The Company also further promoted distributed technologies and transformed its basic structure with cloud computing. Through optimising the management and control procedures of production system and introducing automatic and intelligent management and control procedures, the disaster recovery has been upgraded and the information security system has been operated smoothly. Fourthly, the Company further optimised the information security management system and defence system. By strengthening the security monitoring on electronic channels, the early warning and tracing ability of the Company were enhanced. The Company also strengthened the monitoring on network security and development security and improved internal security protection and detection capabilities and network attack and defence capabilities. Fifthly, the Company strengthened its management of information technology risk by conducting comprehensive assessment on information technology risks, internal and external risks and audit inspection in all material aspects and optimising the system and mechanism.

(IX) Internal control and anti-money laundering

In respect of internal control and anti-money laundering, the Company continued to strengthen its internal control with an aim of improving compliance risk prevention and strengthening its internal control based on the general requirement of reform and transformation. Progress has been made on compliance culture, system management, mechanism construction, issue inspection and rectification, anti-money laundering management, appraisal and evaluation and system construction. Firstly, the Company strongly promoted activities of the compliance culture year. Nine major types of activities were organised, including talks held by the Senior Management, system construction, compliance control of system, compliance inspection and issue rectification, and promotion of anti-money laundering culture. The compliance culture of the Company has achieved progressive results. Secondly, the Company strengthened its system establishment, accelerated the standardisation of its systems and strictly implemented compliance inspection. Management systems for incompatible position, information system business compliance, related party transactions compliance and internal control compliance of subsidiaries were established or improved so as to further optimise its internal compliance management. Thirdly, the Company duly performed compliance inspection and coordination management. Major internal control compliance check and onsite anti-money laundering inspections were conducted. Two governance projects of restoring orders and violated service fee related to enterprises have commenced. Fourthly, major areas of annual case prevention were clarified. The Company organised anti-illegal fund raising inspection and promotion for the whole Bank and conduct quarterly inspection of case risks. Case management has been enhanced and case prevention was effective. Fifthly, the Company rectified and supervised the problems identified during internal and external inspections. Reiterate problems including those of major business sectors were listed up. Problems were rectified thoroughly. Sixthly, the Company strictly implemented internal control compliance assessment and appraisal and enhanced accountability. Assessment system has been optimised while assessment and violation penalties were enhanced. Seventhly, the Company refined its organisation system, strengthened the capability of teams and compliance training and formulated obligation performance guidelines for internal control compliance. Assessments on employees' conducts were conducted to enhance management thereof. Lastly, the Company gradually improved the informatisation of internal control compliance management. The second version of online anti-money laundering monitoring system was launched and the second version of management system and CONFIDENCE issue integrated governance system will be launched shortly.

During the Reporting Period, the Company aimed to comprehensively optimise money laundering risk management system and improve the effectiveness of anti-money laundering management. Based on the implementation of new regulatory policies as well as inspection and rectification of the PBOC, the Company optimised internal control mechanism, management system, responsibility and duty performance and system functions. The anti-money laundering mechanism and internal control and compliance mechanism of the Company and their effectiveness were significantly enhanced.

Firstly, the Company refined the anti-money laundering mechanism which is based on the "Administrative Measures on Anti-money Laundering and Terrorist Financing Risk Control of China Minsheng Bank (中國民生銀行洗錢和恐怖融資風險管理辦法)" and includes 24 policies that cover the whole Bank. The authoritativeness and effectiveness of such system has been further improved. Secondly, anti-money laundering mechanism for the Directors, Supervisors and Senior Management has been refined. Specified duties and obligation performance of the Board, the Board of Supervisors and Senior Management have been clarified. Anti-money laundering team has been upgraded to achieve the promotion of anti-money laundering by the Senior Management. Thirdly, the Company formulated strategies for money laundering risk, established an evaluation system for risk of branches and carried out the first money laundering risk evaluation for the whole Bank. Fourthly, anti-money laundering speculation and evaluation system has been improved through onsite inspection of four branches and two headquarter departments to increase anti-money laundering assessment ratio of operating units. Fifthly, the Company carried out information management of its existing customers and issued notices of customer information governance to further strengthen its anti-money laundering activities. Sixthly, the Company established a monthly quality reporting system for issue of suspicious reports and an automatic mechanism for risk monitoring and inspection which have further enhanced control and supervision of money laundering risk. Seventhly, the Company further upgraded the functions of anti-money laundering system and successfully combined with the second version of anti-money laundering system of the PBOC. Various suspicious transaction monitoring models and system have been optimised and automatic identification of customers from high risk countries was realised. Lastly, the Company continued to carry out anti-money laundering promotion and trainings for all of its employees. Over 3,000 onsite trainings were organised which significantly increased anti-money laundering awareness of all of the Company's employees.

During the Reporting Period, no domestic and overseas institutions or staff of the Company were found to have participated in or be involved in any money laundering and terrorist financing activities.

XI. Prospects and Measures

(I) Competition and development trend of the banking industry

In the second half of 2019, the risk of global economic downturn is expected to increase. Trade protectionism will lead to greater conflicts and uncertainties in major areas. Geopolitics factors may further hinder the global economic and financial market. In China, due to slowdown of consumption and investment growth and the challenging foreign trade environment, the economic growth is expected to slow down, and insufficient demand will be one of the most prominent problems in the general economy as it will affect the pricing system, output level and employment situation to a certain extent. Effective investments will increase and aspects including stable growth, structural adjustment and public welfare will be coped to boost the demand for household consumption and enterprise investments. Properly coping with the trade friction between China and the US and further opening up to the overseas market will become important ways towards the development of a strong domestic market with stable economic growth. With an aim to "stabilise the aggregate demand (穩定總需求)", the overall macroeconomic policies will focus on strengthening countercyclical measures. Proactive fiscal policies, such as further reducing taxes and surcharges, expanding the issuance size of special bonds by local governments and the commencement of major infrastructure projects, continue to push forward. Steady and moderate monetary policies to maintain internal balance and precise inflow will be introduced to focus on structural control and adjustment. As macroscopic liquidity management instruments could not regulate some liquidity channels, the government modified the monetary policies to provide necessary liquidity to certain sectors to alleviate the liability pressure of small and medium financial institutions as well as to provide financial support for private sector and small and micro enterprises. For price control monetary policies, structural interest rate reduction will be introduced to enhance the effectiveness of LPR on the effective interest rate, with a view to reducing the financing cost of the real economy.

Under remarkable changes in domestic and global economies, the operating environment of the banking industry will remain stable in general while changes are expected. The monetary policy will tend to be neutral while small and medium enterprises will deleverage. Difficulties will be encountered during structural reform while the banking industry will seek to minimise risks. The provision of credit to the various sectors may be reduced and will be mainly provided to leading players in their respective sectors, resulting in structural differentiation in loan provision. Net interest margin will be further eroded and liquidity management will be more challenging. Liability cost control is of utmost importance for the banking industry. Regulation is increasingly stringent while the internal and external risks persist. Significantly affected by countercyclical economic policies, commercial banks will further strengthen their risk control by tightening the classification of asset quality. The generation of profits of the year is likely to be restricted by the regulatory ideology of boosting business of higher profitability to offset the negative effects (以豐補欠). The banking industry will be further optimised through supply-side structural reform. Diversification and competition will be severer and the banking industry will be restructured to phase out those less competitive at a faster pace. Leading players can further strengthen their positions by capitalising on their comprehensive advantages including prudent and healthy business model, diversified businesses, quality assets and strong risk management capabilities. Small and medium financial institutions will accelerate their downward development and develop core competitiveness in local markets. Institutions that deviate from major business, are subject to high risks or are weak in serving the real economy may be replaced by quality institutions with specific competitiveness.

(II) Development strategies of the Company

To cope with changes in external conditions and internal development demands, the Company has formulated the Overall Implementation Scheme for Reform and Transformation and the Three-year Development Plan of China Minsheng Bank (《中國民生銀行改革轉型暨三年發展規劃整體實施方案》) in order to accelerate the implementation of its reform and transformation. In the coming three years, the Company will be committed to becoming a benchmark bank with distinctive features, increased value and continuous innovation. The Company will also strategically position itself as a bank for NSOEs, a fintech-based bank and a bank of comprehensive services. The year of 2019 is a critical year for the effective implementation of reform and transformation as well as the three-year development plan.

A bank for NSOEs. The Company will firmly adhere to its NSOEs strategies. With its focus on NSOEs and the people, the Company will focus on large- and medium-size high-quality NSOEs, enterprises along the upstream and downstream of the supply chain of core enterprises and small and micro enterprises, and serve as a financial butler of NSOE customers and their senior management with integrated, customised and comprehensive financial services. The Company will further improve its mechanism and business model so as to further professionalise its NSOE services. It will strive to become the host bank and preferred bank of the NSOE customers.

A fintech-based bank. The Company will continue to be driven by "data + technology" and vigorously develop direct bank, small business online credit and credit card online customer acquisition to strengthen fintech and secure its leading position in the industry. The Company has provided comprehensive services of "technology + finance" by financial cloud. It will also enhance its scientific and technological capacity by proprietary research and development of a national leading distributive core system so that technology can empower business. The Company will improve its intelligent level of finance services to build an internet bank with the best customer experience in China.

A bank of comprehensive services. The Company will expedite its business layout diversification to cover fields including trust, leasing, fund and asset management and achieve integrated and comprehensive services of the Group. The Company also aims to establish a cross-selling and business coordination mechanisms under its "One Minsheng" strategy to promote cross-selling and synergy between business segments, operating branches, the Head Office and subsidiaries and provide its customers with comprehensive financial services with the integration of commercial, investment and transaction banking and the combination of capital, intelligence and commerce. The Company will prioritise its customers and provide integrated and comprehensive services through the cooperation of front, middle and back offices.

In implementation of the new three-year plan and promotion of reform and transformation, the Company will stick to the overall operation strategy of "light-capital, optimised liabilities, adjusted structure, promoted coordination and secured quality" based on the core principles of high quality development and efficiency. Its deployment includes strengthening the principal businesses including direct bank, small business finance and investment banking and consolidating the leading businesses including credit card, supply chain finance and asset management. On the basis of the above deployment, the Company will transform itself from focusing on traditional businesses into a benchmark bank of the industry principally engaging in digitalised, light-capital and comprehensive business. In addition, greater reform and innovation efforts will be made. With innovative mechanisms and systems of its major management aspects, the Company will be able to revitalise its structure and establish a customer-centric operation and management system, so as to extensively enhance its professional management and support the implementation of its business development strategies.

Looking forward, adhering to the policy of "reform for development and innovate for transformation", the Company will thoroughly study the economic and financial circumstances and market changes, focus on supply-side structural reform and prevent and control financial risks. The Company will strengthen its financial support on NSOEs as well as small and micro enterprises. Through multiple measures including stabilising growth, restructuring business, preventing risks, promoting coordination, optimising technologies, improving efficiency, consolidating foundation and enhancing Party building, the Company aims to give priority to quality and efficiency to achieve organic development and changes so as to strengthen its capability to serve the real economy.

(III) Potential risks

Firstly, the growth of the world's major economies slowed down during the Reporting Period. Uncertainties including trade frictions increased and the economic growth in China slowed down. In addition, the structural deleveraging resulted in operation difficulties and tightened liquidity of certain enterprises. Banks strengthened the monitoring and control on assets quality. Difficulty in collection and disposal of nonperforming assets continued to increase. In addition, as the central government has repeatedly urged to enhance the capability of financial industry in serving the real economy, commercial banks will face direct pressures on solving the NSOEs' and the small and micro enterprises' difficulties in high cost of financing while prohibiting the loans extension without approval or in violation of standards. Moreover, reducing existing loans in areas such as the capital market, government platform and real estate industry remains a long-term and protracted process which needs to be carried out carefully and progressively. At last, under the pressures on business efficiency and assets quality, banks have to balance the short-term and long-term income while ensuring investors' return. Banks shall also enhance their sustainability and profitability while controlling the risks in relation to credit, market, operational, liquidity and information technology.

Facing new opportunities and challenges, the Company will insist to putting risk prevention and control as the top priority. The Company will further enhance its overall comprehensive risk management and promote healthy and orderly development of business from the perspectives of philosophy, mechanism, culture, teams and techniques.

Chapter 4 Changes in Share Capital and Information on Shareholders

(I) Changes in ordinary shares

(Unit: Share)

	31 December 2018		Changes over the Reporting Period (+,-)	**30 June 2019**	
	Number of shares	Percentage (%)	Number of shares	**Number of shares**	**Percentage (%)**
I. Shares subject to restriction on sales	—	—	—	**—**	**—**
1. State-owned shares	—	—	—	**—**	**—**
2. State-owned legal person shares	—	—	—	**—**	**—**
3. Other domestic shares	—	—	—	**—**	**—**
Of which:					
Held by domestic legal person	—	—	—	**—**	**—**
Held by domestic natural person	—	—	—	**—**	**—**
4. Foreign investor shares	—	—	—	**—**	**—**
Of which:					
Held by overseas legal person	—	—	—	**—**	**—**
Held by overseas natural person	—	—	—	**—**	**—**
II. Shares not subject to restriction on sales	43,782,418,502	100.00	—	**43,782,418,502**	**100.00**
1. Ordinary shares in RMB	35,462,123,213	81.00	—	**35,462,123,213**	**81.00**
2. Domestic listed foreign invested shares	—	—	—	**—**	**—**
3. Overseas listed foreign invested shares	8,320,295,289	19.00	—	**8,320,295,289**	**19.00**
4. Others	—	—	—	**—**	**—**
III. Total number of ordinary shares	43,782,418,502	100.00	—	**43,782,418,502**	**100.00**

II. Top Ten Shareholders of the Company and Their Shareholdings:

(Unit: Share)

Total number of ordinary shareholders as at the end of the Reporting Period	395,275

Particulars of shareholding of the top ten ordinary shareholders

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Number of shares subject to restriction on sales held	Shares pledged or locked-up	
						Status	Number
HKSCC Nominees Limited	Others	18.92	8,283,046,145	177,191	—	Unknown	—
Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio	Domestic legal person	10.30	4,508,984,567	—	—	Nil	—
Anbang Life Insurance Co., Ltd. — Steady Investment Portfolio	Domestic legal person	6.49	2,843,300,122	—	—	Nil	—
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.61	2,019,182,618	—	—	Pledged	2,015,582,617
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	—	—	Nil	—
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	—	—	Pledged	1,379,678,400
Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	Domestic non-state-owned legal person	3.14	1,375,763,341	—	—	Nil	—
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.00	1,314,284,476	—	—	Nil	—
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	—	—	Pledged	1,184,479,488
China Securities Finance Corporation Limited	Domestic legal person	2.87	1,254,418,908	—	—	Nil	—

Shareholdings of top ten holders of shares not subject to restriction on sales

Name of shareholder	Number of shares not subject to restriction on sales held	Class of shares
HKSCC Nominees Limited	8,283,046,145	Overseas listed foreign invested shares (H shares)
Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio	4,508,984,567	Ordinary shares denominated in RMB
Anbang Life Insurance Co., Ltd. — Steady Investment Portfolio	2,843,300,122	Ordinary shares denominated in RMB
China Oceanwide Holdings Group Co., Ltd.	2,019,182,618	Ordinary shares denominated in RMB
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	Ordinary shares denominated in RMB
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	Ordinary shares denominated in RMB
Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	1,375,763,341	Ordinary shares denominated in RMB
China Shipowners Mutual Assurance Association	1,314,284,476	Ordinary shares denominated in RMB
Orient Group Incorporation	1,280,117,123	Ordinary shares denominated in RMB
China Securities Finance Corporation Limited	1,254,418,908	Ordinary shares denominated in RMB

Statement on the related relationship or concerted actions among the aforesaid shareholders	Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. had entered into an acting in concert agreement. The Company is not aware of any related relationship among other shareholders save as mentioned above.

Notes:

1. The number of shares held by holders of H shares was recorded in the Register of Members as kept by the H share registrar of the Company.

2. HKSCC Nominees Limited acted as an agent representing the total amount of H shares held by all institutional and individual investors that registered in the accounts of such investors as at 30 June 2019.

III. Substantial Shareholders' and Other Persons' Interests or Short Positions in the Shares and Underlying Shares of the Company under Hong Kong Laws and Regulations

As at 30 June 2019, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Anbang Life Insurance Co., Ltd.	A	Long	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long	Beneficial owner	457,930,200	1	5.50	1.05
Anbang Insurance Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05
Orient Group Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959	2	8.60	6.96
Orient Group Incorporation	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
Huaxia Life Insurance Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
China Oceanwide Holdings Group Co., Ltd.	A	Long	Beneficial owner	2,019,182,618	3 and 4	5.69	4.61
Oceanwide Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	3 and 4	5.69	4.61
Tohigh Holdings Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	3 and 4	5.69	4.61
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	5 and 8	5.44	4.41
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	5	5.16	4.18
New Hope Liuhe Investment Co., Ltd.	A	Long	Beneficial owner	1,828,327,362*	5	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	6 and 8	5.44	4.41

Name of substantial shareholder	Class of shares	Long/ short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	7 and 8	5.44	4.41
Oceanwide International Equity Investment Limited	H	Long	Beneficial owner	604,300,950			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	408,000,000			
				1,012,300,950	9	12.17	2.31
Shi Jing	H	Long	Person who set up a discretionary trust	798,024,133	10 and 11	9.59	1.82
Abhaya Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	798,024,133	10 and 11	9.59	1.82
Wickhams Cay Trust Company Limited	H	Long	Trustee	798,024,133	10 and 11	9.59	1.82
Divine Celestial Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	10	8.58	1.63
JH International Investment Company Limited	H	Long	Beneficial owner	713,501,653	10	8.58	1.63
Guotai Junan International Holdings Limited	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	731,204,200	12 and 13	8.79	1.67
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,203,853	12 and 13	8.45	1.61
Guotai Junan Securities Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	731,204,200	12 and 13	8.79	1.67
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,203,853	12 and 13	8.45	1.61
Shanghai International Group Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	731,204,200*	12 and 13	8.79	1.67
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	703,203,853*	12 and 13	8.45	1.61
BlackRock, Inc.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	417,022,501	14	5.01	0.95
		Short	Interest held by the corporation(s) controlled by this substantial shareholder	897,600	14	0.01	0.002

* As far as the Company is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 30 June 2019. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

1. Anbang Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Company by virtue of its control over 99.98% of the issued share capital of Anbang Life Insurance Co., Ltd.

   The interests that Anbang Insurance Group Co., Ltd. and Anbang Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were from the same block of shares.

2. The interests that Orient Group Co., Ltd. (which held 35,000,000 A shares of the Company), Orient Group Incorporation (which held 1,280,117,123 A shares of the Company) and Huaxia Life Insurance Co., Ltd. (which held 1,733,604,836 A shares of the Company) held in the 3,048,721,959 A shares, as set out in the above table, were deemed to be jointly owned by the three parties after they had become persons acting in concert.

3. The 2,019,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

   According to the SFO, Mr. Lu Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 2,019,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. Lu Zhiqiang's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

4. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 2,019,182,618 A shares, as set out in the above table, were from the same block of shares.

5. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.

   According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

6. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,930,715,189 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").

7. Ms. Liu Chang held 37.66% of the issued share capital of New Hope Group Co., Ltd. (see note (5) above). According to the SFO, Ms. Liu was deemed to have interests in the 1,930,715,189 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).

8. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang held in the 1,930,715,189 A shares, as set out in the above table, were from the same block of shares.

9. The 1,012,300,950 H shares (Long position) comprised 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 98.67% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 68.02% of the issued share capital of Oceanwide Holdings Co., Ltd. was held by China Oceanwide Holdings Group Co., Ltd. 98% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

10. The 798,024,133 H shares (in which 703,203,853 H shares were held through unlisted derivatives (convertible instruments)) comprised 84,522,480 H shares directly held by Liberal Rise Limited and 713,501,653 H shares directly held by JH International Investment Company Limited. JH International Investment Company Limited was a wholly-owned subsidiary of Divine Celestial Limited. Divine Celestial Limited and Liberal Rise Limited were wholly-owned subsidiaries of Abhaya Limited, which was wholly-owned by Wickhams Cay Trust Company Limited. Ms. Shi Jing is the founder of the discretionary trust.

    According to the SFO, Divine Celestial Limited was deemed to have interests in the 713,501,653 H shares held by JH International Investment Company Limited. Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited were deemed to have interests in the 84,522,480 H shares held by Liberal Rise Limited and 713,501,653 H shares held by JH International Investment Company Limited.

11. The interests that Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited held in the 798,024,133 H shares, as set out in the above table, were from the same block of shares.

12. The 731,204,200 H shares (Long position) comprised 703,204,200 H shares directly held by Guotai Junan Financial Products Limited and 28,000,000 H shares directly held by Guotai Junan Securities (Hong Kong) Limited, while the 703,203,853 H shares (Short position) were directly held by Guotai Junan Financial Products Limited. Guotai Junan Financial Products Limited and Guotai Junan Securities (Hong Kong) Limited were indirectly wholly-owned subsidiaries of Guotai Junan International Holdings Limited, of which 66.65% of interests were indirectly held by Guotai Junan Securities Co., Ltd. 30.93% of the issued share capital of Guotai Junan Securities Co., Ltd. was held by Shanghai International Group Co., Ltd.

    According to the SFO, Guotai Junan International Holdings Limited, Guotai Junan Securities Co., Ltd. and Shanghai International Group Co., Ltd. were deemed to have interests in the 703,204,200 H shares (Long position) and the 703,203,853 H shares (Short position) held by Guotai Junan Financial Products Limited and the 28,000,000 H shares (Long position) held by Guotai Junan Securities (Hong Kong) Limited.

    Besides, 703,204,200 H shares (Long position) and 703,203,853 H shares (Short position) were held through cash settled unlisted derivatives.

13. The interests that Guotai Junan International Holdings Limited, Guotai Junan Securities Co., Ltd. and Shanghai International Group Co., Ltd. held in the 731,204,200 H shares (Long position) and 703,203,853 H shares (Short position), as set out in the above table, were from the same block of shares.

14. BlackRock, Inc. had a long position in 417,022,501 H shares (in which 3,707,500 H shares were held through cash settled unlisted derivatives) and a short position in 897,600 H shares (in which 341,000 H shares were held through cash settled unlisted derivatives) of the Company by virtue of its control over a number of corporations, which were indirect wholly-owned subsidiaries of BlackRock, Inc., except the following corporations:

    14.1 BlackRock Holdco 6, LLC was indirectly owned as to 90% by BlackRock, Inc. BlackRock Holdco 6, LLC had interests and short positions in the Company through the following indirect wholly-owned corporations:

    14.1.1 BlackRock Institutional Trust Company, National Association held 92,707,602 H shares (Long position) and 826,100 H shares (Short position) in the Company.

    14.1.2 BlackRock Fund Advisors held 189,640,888 H shares (Long position) in the Company.

14.2 BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc. BR Jersey International Holdings L.P. had interests in the Company through the following indirect wholly-owned corporations:

14.2.1 BlackRock Japan Co., Ltd. held 10,428,716 H shares (Long position) in the Company.

14.2.2 BlackRock Asset Management Canada Limited held 1,957,199 H shares (Long position) in the Company.

14.2.3 BlackRock Investment Management (Australia) Limited held 1,470,520 H shares (Long position) in the Company.

14.2.4 BlackRock Asset Management North Asia Limited held 3,518,499 H shares (Long position) in the Company.

14.2.5 BlackRock (Singapore) Limited held 53,500 H shares (Long position) in the Company.

14.3 BlackRock Group Limited was indirectly owned as to 90% by BR Jersey International Holdings L.P. (see note 14.2 above). BlackRock Group Limited had interests and short positions in the Company through the following direct or indirect wholly-owned corporations:

14.3.1 BlackRock (Netherlands) B.V. held 1,135,900 H shares (Long position) in the Company.

14.3.2 BlackRock Advisors (UK) Limited held 400,800 H shares (Long position) in the Company.

14.3.3 BlackRock International Limited held 1,495,120 H shares (Long position) in the Company.

14.3.4 BlackRock Asset Management Ireland Limited held 48,772,626 H shares (Long position) in the Company.

14.3.5 BLACKROCK (Luxembourg) S.A. held 661,400 H shares (Long position) and 71,500 H shares (Short position) in the Company.

14.3.6 BlackRock Investment Management (UK) Limited held 33,089,780 H shares (Long position) in the Company.

14.3.7 BlackRock Asset Management Deutschland AG held 450,020 H shares (Long position) in the Company.

14.3.8 BlackRock Fund Managers Limited held 12,606,497 H shares (Long position) in the Company.

14.3.9 BlackRock Life Limited held 9,427,968 H shares (Long position) in the Company.

14.3.10 BlackRock Asset Management (Schweiz) AG held 52,200 H shares (Long position) in the Company.

Save as disclosed above and the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations", the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 30 June 2019 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

IV. Information on Preference Shares in the Three Years Immediately Before the End of the Reporting Period

(I) Issuance and listing of offshore preference shares

Pursuant to the approval by the former CBRC (Yin Jian Fu [2016] No. 168) (銀監覆[2016]168號) and the approval by the CSRC (Zheng Jian Xu Ke [2016] No. 2971) (證監許可[2016]2971號), the Company issued non-cumulative perpetual preference shares (preference share name: CMBC 16USDPREF; code: 04609) with a total amount of USD1,439 million on 14 December 2016 through a private offering in the overseas market in order to improve its capital structure, provide capital support for the efficient implementation of its strategies, enhance its capital adequacy ratio and strengthen its sustainable development capacity. The offshore preference shares were listed on the SEHK on 15 December 2016 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,950,000, all of which were issued and fully paid in US dollar.

Based on the Renminbi central parity rate against US dollar published by China Foreign Exchange Trade System on 14 December 2016, the gross proceeds from the offering of the offshore preference shares were approximately RMB9,933 million. The net proceeds raised from the offshore preference shares issuance were approximately RMB9,892 million after deduction of the issuance expenses, which will be used to replenish the additional tier-1 capital of the Company.

For the issuance terms of the offshore preference shares, please refer to the announcements of the Company published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Company.

(II) Number of holder of offshore preference shares and particulars of shareholding

As at the end of the Reporting Period, the number of holder of offshore preference shares of the Company was one. As at the end of the month prior to the disclosure date of this Interim Report (i.e. 31 July 2019), the number of holder of offshore preference shares of the Company was one.

Particulars of shareholding of the top ten holder(s) of preference shares (or nominees) of the Company are set out as follows (the following data were based on the registered holder of the preference shares as at 30 June 2019):

(Unit: Share)

Name of shareholder	Type of shareholder	Class of share	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales held	Number of shares pledged or locked-up
The Bank of New York Mellon Depository (Nominees) Limited	Overseas legal person	Offshore preference shares	—	100	71,950,000	—	Unknown

Notes:

1. The number of shares held by the preference shareholder was recorded in accordance with the register of holders of preference shares of the Company.

2. As the preference shares were issued through private offering in overseas market, information of nominees of the allotted investors was recorded on the register of holders of the preference shares.

3. The Company does not know if there is any related relationship or concerted action among the above holder of preference shares and the top ten shareholders of ordinary shares.

(III) *Changes in offshore preference shares*

(Unit: Share)

Class of offshore preference shares	Offshore preference shares issued as of 31 December 2018	Changes over the Reporting Period	Offshore preference shares issued as of 30 June 2019
USD preference shares	71,950,000	—	71,950,000

(IV) *Other information on the preference shares*

During the Reporting Period, no preference shares of the Company have been repurchased, converted into ordinary shares nor have their voting rights restored.

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (《企業會計準則第37號 — 金融工具列報》), there was no need for the issued and existing preference shares of the Company to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Company will have no obligation to deliver a variable quantity of its equity instruments as other equity instruments for accounting purpose.

The dividend of the offshore preference shares of the Company will be paid in cash on an annual basis. During the Reporting Period, the issued preference shares of the Company were not yet due for dividend distribution, and there was no dividend payment in respect of the offshore preference shares.

The proposed private offering of no more than 200 million domestic preference shares of the Company has been approved by the CBRC in the Reply on the Non-public Issuance of Preference Shares and the Amendment to the Articles of Association by China Minsheng Bank (Yin Jian Fu [2016] No.168) (《關於民生銀行非公開發行優先股及修改公司章程的批覆》 (銀監覆[2016]168號)) and by the CSRC in the Reply on Approving the Non-public Issuance of Domestic Preference Shares by China Minsheng Banking Corp., Ltd. (Zheng Jian Xu Ke [2019] No.1158) (《關於核准中國民生銀行股份有限公司境內非公開發行優先股的批覆》 (證監許可[2019]1158號)). The private offering of domestic preference shares is currently in progress. For details of the offering of domestic preference shares, please refer to the announcement of the Company published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Company.

V. Information on Issuance of Financial Bonds of the Company during the Reporting Period

(I) Tier-Two Capital Bonds of 2019

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No. 469) (銀保監覆 [2018]469號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2019] No.5) (銀市場許准予字[2019]第5號), the Company completed its book building on 27 February 2019 and issued the first instalment of tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2019 with a total amount of RMB40,000 million (bond name: 19 Minsheng Tier-Two 01; bond code: 1928002) through public offering in the national interbank bond market on 1 March 2019. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the instalment of tier-two capital bonds was AAA (please refer to www.chinabond.com.cn for details). The instalment of tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 4.48%. The interest shall be paid on an annual basis. The issuer shall have a conditional redemption option at the end of the fifth year. As long as the capital level of the Company is in compliance with the regulatory capital requirements under the CBIRC upon the exercise of redemption option, the Company may, subject to the approval by the CBIRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the CBIRC. The exercise of early redemption option by the Company is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the first instalment of tier-two capital bonds of China Minsheng Banking Corp., Ltd. of 2019 was RMB40,000 million.

(II) Undated Capital Bonds of 2019

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2019] No. 485) (銀保監覆[2019]485號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2019] No.75) (銀市場許准予字[2019]第75號), the Company completed its book building from 30 May 2019 to 31 May 2019 and issued the undated capital bonds of China Minsheng Banking Corp., Ltd. of 2019 in a total amount of RMB40,000 million (bond name: 19 Minsheng Perpetual Bond; bond code: 1928013) through public offering in the national interbank bond market on 4 June 2019. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the undated capital bonds was AAA (please refer to www.chinabond.com.cn for details). The undated capital bonds were write-down capital bonds with issuing coupon rate of 4.85%, subject to adjustment at different intervals. The bonds will continue to be outstanding so long as the issuer's business continues to operate. The coupon rate shall be adjusted every five years from the payment due date. The interest shall be paid at the same agreed rate in each adjustment period of coupon rate. The interest shall be paid on an annual basis. The issuance of bonds provides conditional redemption by the issuer. After the expiry of five years from the date of issuance, the issuer shall have the right to redeem all or part of the bonds on the interest payment date of each year (inclusive of the interest payment date of the fifth year after the date of issuance). Upon the issuance of the bonds, in the event that the bonds are not classified as other tier-one capital bonds due to unpredictable changes in regulations, the issuer shall have the right to redeem the bonds fully instead of partly.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as tier-one capital of the Company. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the undated capital bonds of China Minsheng Banking Corp., Ltd. of 2019 was RMB40,000 million.

VI. Controlling Shareholder and Ultimate Controller

The Company does not have any controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top ten shareholders of the Company (other than HKSCC Nominees Limited) held an aggregate of 42.46% shares of the Company. Anbang Life Insurance Co., Ltd. — Conservative Investment Portfolio, the single largest shareholder of the Company, held 10.30% shares of the Company. There was no shareholder who could control more than half of the voting rights of the Board of the Company or at general meetings in accordance with its shareholding or the Articles of Association, or by agreements.

VII. Substantial Shareholders

(I) Substantial shareholders with aggregate shareholding of 5% or more in the Company as at the end of the Reporting Period were as follows:

(1) Anbang Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its uniform social credit code is 91110000556828452N; its legal representative is He Xiaofeng; its controlling shareholder is Anbang Insurance Group Co., Ltd.; its ultimate controller is Anbang Insurance Group Co., Ltd.; its ultimate beneficiary is Anbang Insurance Group Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the Former CIRC. As at the end of the Reporting Period, the shares of the Company held by Anbang Life Insurance Co., Ltd. had not been pledged. The Company has received the "Approval on Qualification of Relevant Shareholder of Minsheng Bank (Yin Bao Jian Fu [2019] No.793) (《關於民生銀行有關股東資格的批覆》 (銀保監覆 [2019]793號))" from the CBIRC. The CBIRC has approved the holding of 7,810,214,889 ordinary shares, or 17.84%, by Anbang Life Insurance Co., Ltd. in the share capital of the Company. Please refer to the announcement of the Company dated 27 August 2019 published on the website of SSE, the HKEXnews website of the SEHK, and the website of the Company.

On 23 February 2018, the Company noticed that the Former CIRC published on its official website the CIRC Notice Concerning the Takeover of Anbang Insurance Group Co., Ltd. in accordance with Laws (《中國保監會關於對安邦保險集團股份有限公司依法實施接管的公告》). Meanwhile, the Company received a written notification from Anbang Insurance Group Co., Ltd., the controlling shareholder of Anbang Life Insurance Co., Ltd., stating that: "The current operation of Anbang Insurance Group Co., Ltd. and its subordinate bodies are generally stable with sufficient cash reserves. We have no intention to reduce our shareholdings in Minsheng Bank in the near future."

The Company was informed by Anbang Life Insurance Co., Ltd. that, pursuant to the approval by the CBIRC, Anbang Life Insurance Co., Ltd. has been renamed as Dajia Life Insurance Co., Ltd. (大家人壽保險股份有限公司) and its holding company has been changed from Anbang Insurance Group Co., Ltd. to Dajia Insurance Group Co., Ltd. (大家保險集團有限責任公司). The de facto controller of Anbang Life Insurance Co., Ltd. remains unchanged.

(2) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,714,576,124; its uniform social credit code is 91230199126965908A; its legal representative is Sun Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is Zhang Hongwei; its ultimate beneficiary is Zhang Hongwei; its parties acting in concert are Orient Group Co., Ltd. and Huaxia Life Insurance Co., Ltd.; its principal business includes: investments in modern agriculture and healthy food, new urbanisation and development, financial industry, ports and transportation industry. As at the end of the Reporting Period, Orient Group Incorporation had pledged 1,184,479,488 ordinary shares of the Company, representing 2.71% of the total share capital of the Company.

Orient Group Co., Ltd.: It was formerly known as Orient Group Investment Holding Co., Ltd. and was renamed as Orient Group Co., Ltd. in July 2018; it was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its uniform social credit code is 911100007541964840; its legal representative and ultimate controller is Zhang Hongwei; its parties acting in concert are Orient Group Incorporation and Huaxia Life Insurance Co., Ltd.; its principal business includes: project investment, investment management, real estate development, agent import and export, import and export of goods, economic and trade consultation.

Huaxia Life Insurance Co., Ltd.: It was incorporated on 30 December 2006; its registered capital is RMB15.3 billion; its uniform social credit code is 91120118791698440W; its legal representative is Li Fei; it does not have any controlling shareholder, ultimate controller or ultimate beneficiary; its parties acting in concert are Orient Group Incorporation and Orient Group Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance businesses, related reinsurance of the above business, insurance fund application businesses permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Company held by Huaxia Life Insurance Co., Ltd. had not been pledged.

(3) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its uniform social credit code is 911100001017122936; its legal representative is Lu Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide International Investment Company Limited, Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: finance, real estate and investment management.

China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital is HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding.

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital is USD50,000; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital is USD50,000; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Oceanwide International Equity Investment Limited; its principal business includes: investment holding.

As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited had pledged a total of 3,027,883,568 ordinary shares of the Company, representing 6.91% of the total share capital of the Company.

(II) In Accordance with the Provisional Measures on the Administration of Equity of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the CBRC (No. 1 of 2018), other substantial shareholders of the Company were as follows:

(1) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its uniform social credit code is 91540091744936899C; its legal representative is Wang Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is Liu Yonghao; its ultimate beneficiary is Liu Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer and technology consultancy services. As at the end of the Reporting Period, the shares of the Company held by New Hope Liuhe Investment Co., Ltd. had not been pledged.

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB884,313,725; its uniform social credit code is 9154009158575152X0; its legal representative is Li Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is Liu Yonghao; its ultimate beneficiary is Liu Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, the shares of the Company held by South Hope Industrial Co., Ltd. had not been pledged.

(2) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its uniform social credit code is 913101041346255243; its legal representative is Wei Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is Shi Yuzhu; its ultimate beneficiary is Shi Yuzhu; it has no party acting in concert; its principal business includes: manufacturing and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods; prepackaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged 1,379,678,400 ordinary shares of the Company, representing 3.15% of the total share capital of the Company.

(3) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its uniform social credit code is 51100000500010993L; its legal representative is Song Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Company held by China Shipowners Mutual Assurance Association had not been pledged.

(4) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133,000,000; its uniform social credit code is 91310000612260305J; its legal representative is Wu Di; its controlling shareholder is Huang Xi; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; it has no party acting in concert; its principal business includes: research, development and sale of high-tech products; industrial investment; investments in the education, agriculture, secondary industry, entertainment industry and healthcare products; sale of photographic equipment and new construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged 539,830,000 ordinary shares of the Company, representing 1.23% of the total share capital of the Company.

(5) Tongfang Guoxin Investment Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its uniform social credit code is 91500000660887401L; its legal representative is Liu Qinqin; its largest shareholder is Tongfang Financial Holdings (Shenzhen) Co., Ltd. (同方金融控股 (深圳) 有限公司), a wholly-owned subsidiary of Tongfang Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tongfang Guoxin Investment Holding Co., Ltd.; its parties acting in concert are Chongqing International Trust Company Limited and Chongqing Guotou Equity Investment Management Co. Ltd. (重慶國投股權投資管理有限公司); its principal business includes: making investments with its own fund (activities of financial business such as accepting public deposits or accepting public deposits in any disguised form, extending loans or trading securities and futures are strictly forbidden); providing its related companies with consultancy services such as investment information and policy; providing planning and consultancy services in relation to corporate reorganisation and merger and acquisition; and providing corporate management services (Businesses that require pre-approvals according to laws shall only be conducted after obtaining approvals from the relevant authorities).

Chongqing International Trust Company Limited: It was incorporated on 22 October 1984; its registered capital was RMB15,000,000,000; its uniform social credit code is 91500000202805720T; its legal representative is Weng Zhenjie; its controlling shareholders is Tongfang Guoxin Investment Co., Ltd; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Company Limited; its parties acting in concert are Tongfang Guoxin Investment Co., Ltd. and Chongqing Guotou Equity Investment Management Co. Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; investment fund business as a promoter of investment fund or fund management companies; providing asset reorganisation, mergers and acquisitions and project financing of enterprises, corporate wealth management, financial advisory and other services; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safe deposits business; use of inherent properties as balance with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; providing collateral for others with inherent properties; interbank lending, and other business permitted under the laws and regulations and approved by the CBIRC. The above businesses include businesses denominated in RMB and foreign currencies. As of the end of the Reporting Period, the shares of the Company held by Chongqing International Trust Company Limited had not been pledged.

Chongqing Guotou Equity Investment Management Co. Ltd. (重慶國投股權投資管理有限公司): It was incorporated on 26 August 2009; its registered capital was RMB500,000,000; its uniform social code is 91500103693913725W; its legal representative is Yu Xiaohua; its controlling shareholder is Tianjin Zhongxin Asset Management Co., Ltd. (天津重信資產管理有限公司); its ultimate beneficiary is Chongqing Guotou Equity Investment Management Co. Ltd.; its parties acting in concern are Chongqing International Trust Company Limited and Tongfang Guoxin Investment Co., Ltd.; its principle business includes equity investment management.

As of the end of the Reporting Period, Tongfang Guoxin Investment Co., Ltd. and Chongqing Guotou Equity Investment Management Co. Ltd. had pledged 1,199,141,000 ordinary shares of the Company in total, representing 2.74% of the total share capital of the Company.

Chapter 5 Directors, Supervisors, Senior Management, Employees and Business Network

I. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
HONG Qi	M	1957	Chairman & Executive Director	20 February 2017–present	0	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	20 February 2017–present	0	0
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	20 February 2017–present	0	0
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	20 February 2017–present	0	0
ZHENG Wanchun	M	1964	Executive Director & President	20 February 2017–present	0	0
SHI Yuzhu	M	1962	Non-executive Director	20 February 2017–present	0	0
WU Di	M	1965	Non-executive Director	20 February 2017–present	0	0
SONG Chunfeng	M	1969	Non-executive Director	20 February 2017–present	0	0
WENG Zhenjie	M	1962	Non-executive Director	20 February 2017–present	0	0
LIU Jipeng	M	1956	Independent Non-executive Director	20 February 2017–present	0	0
LI Hancheng	M	1963	Independent Non-executive Director	20 February 2017–present	0	0
XIE Zhichun	M	1958	Independent Non-executive Director	20 February 2017–present	0	0
PENG Xuefeng	M	1962	Independent Non-executive Director	20 February 2017–present	0	0
LIU Ningyu	M	1969	Independent Non-executive Director	20 February 2017–present	0	0
TIAN Suning	M	1963	Independent Non-executive Director	21 June 2018–present	0	0
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	0	0
WANG Jiazhi	M	1959	Vice Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	911,664	911,664
GUO Dong	M	1961	Vice Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	0	0
WANG Hang	M	1971	Shareholder Supervisor	20 February 2017–present	0	0
ZHANG Bo	M	1973	Shareholder Supervisor	20 February 2017–present	0	0
LU Zhongnan	M	1955	Shareholder Supervisor	20 February 2017–present	0	0
WANG Yugui	M	1951	External Supervisor	20 February 2017–present	0	0
BAO Jiming	M	1952	External Supervisor	20 February 2017–present	0	0
ZHAO Fugao	M	1955	External Supervisor	21 June 2019–present	0	0
CHEN Qiong	F	1963	Executive Vice President	8 June 2018–present	0	0
SHI Jie	M	1965	Executive Vice President	20 February 2017–present	0	0
LI Bin	F	1967	Executive Vice President	20 February 2017–present	0	0
LIN Yunshan	M	1970	Executive Vice President	20 February 2017–present	0	0
HU Qinghua	M	1963	Executive Vice President	8 June 2018–present	0	0
			Chief Risk Officer	20 February 2017 — present	0	0
BAI Dan	F	1963	Chief Financial Officer	20 February 2017–present	0	0
			Board Secretary	4 April 2018–present	0	0
ZHANG Yuebo	M	1962	Chief Audit Officer	20 February 2017–present	0	0
OUYANG Yong	M	1963	Assistant President	4 April 2018–present	0	0

Notes:

1. The commencement date of term of office shall be the date of election by the general meeting of the Company or appointment by the Board of the Company, while the actual timing of performance shall be subject to the approval of qualification by regulatory authorities;

2. On 21 June 2019, the 2018 annual general meeting of the Company considered and approved the resolution regarding the appointment of Mr. Zhao Fugao as External Supervisor and elected Mr. Zhao Fugao as an External Supervisor of the Company;

3. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management left office during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the last three years.

(II) Resignation of Directors, Supervisors and Senior Management during the Reporting Period and the reasons therefor

During the Reporting Period, none of the Directors, Supervisors and Senior Management of the Company resigned.

(III) Changes of information of Directors and Supervisors

1. Mr. Song Chunfeng, an Independent Non-executive Director of the Company, ceased to serve as a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)) since June 2019.

2. Mr. Xie Zhichun, an Independent Non-executive Director of the Company, ceased to serve as an independent non-executive director of SuperRobotics Limited (listed on the SEHK (stock code: 08176)) since May 2019.

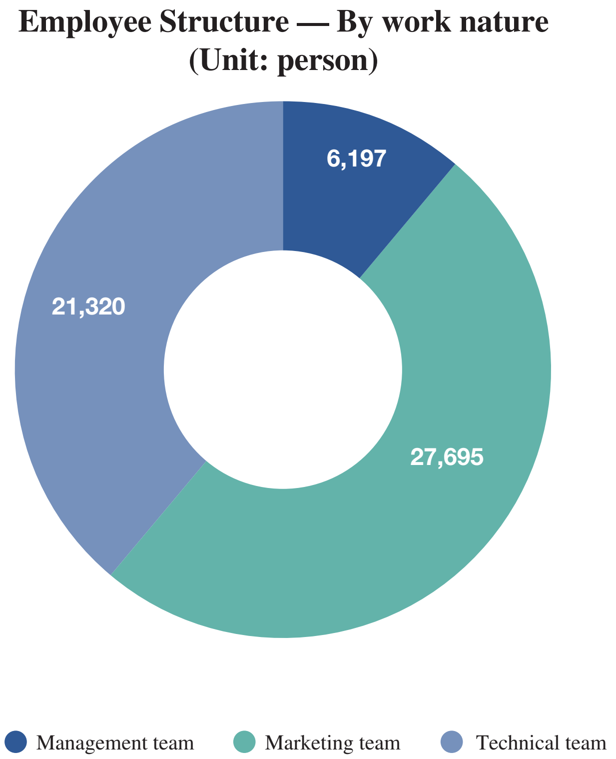
3. Mr. Tian Suning, an Independent Non-executive Director of the Company, ceased to serve as an independent non-executive director of Lenovo Group Limited (listed on the SEHK (stock code: 00992)) since July 2019.

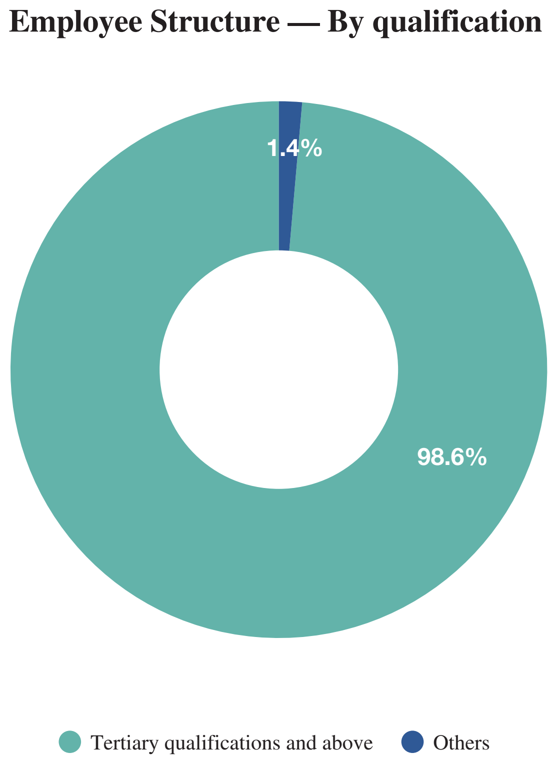
(IV) Service contracts of Directors and Supervisors

In accordance with rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into contracts with its Directors and Supervisors in respect of compliance with the relevant laws and regulations, the Articles of Association of the Company and the provisions of arbitration. Except as disclosed above, the Company has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Group within one year without payment of compensation, other than statutory compensation).

II. Employees

As at the end of the Reporting Period, the Group had 57,799 employees, of which 55,212 were employees of the Company and 2,587 were employees of the subsidiaries of the Company. Divided by work nature, 6,197 employees were categorised as the management, 27,695 employees as the marketing team, and 21,320 employees as the technical team. The Company had 54,416 employees with tertiary qualification or above, accounting for 98.6% of the total number of employees. 409 employees of the Company had retired.





III. Business Network

As at the end of the Reporting Period, the Company had set up 42 branches in 41 cities across China, with 2,684 banking outlets in total.

During the Reporting Period, the Company did not open any new branch.

Major entities of the Company as at the end of the Reporting Period are shown as follows:

Name of entity	Number of outlets	Headcount	Total assets (RMB in millions) (excluding deferred income tax assets)	Address
Head Office	1	13,734	3,867,018	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	179	3,601	748,926	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	88	2,545	408,070	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	98	2,231	218,944	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	79	1,985	211,718	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Wuhan Branch	133	1,456	100,238	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	115	1,346	98,093	3-5/F, 9–12/F, Office Building No. 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan
Shijiazhuang Branch	158	2,128	90,935	Minsheng Bank Tower, No. 197 Yu Hua Dong Road, Chang'an District, Shijiazhuang
Dalian Branch	58	872	74,982	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian
Nanjing Branch	205	2,963	326,307	No. 20 Hongwu Bei Road, Xuanwu District, Nanjing
Hangzhou Branch	94	1,722	143,685	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	109	995	84,589	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	83	1,107	74,963	China Minsheng Bank Tower, No. 78 Erhuan Nan Road Xiduan, Xi'an
Fuzhou Branch	53	955	51,960	No. 282 Hudong Road, Gulou District, Fuzhou
Jinan Branch	148	1,917	120,391	No. 229 Luoyuan Street, Jinan
Ningbo Branch	43	739	45,988	No. 815 Ju Xian Road, Gaoxin District, Ningbo
Chengdu Branch	128	1,382	123,128	Block 6, No. 966 North Section of Tianfu Avenue, Gaoxin District, Chengdu
Tianjin Branch	55	891	74,216	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	101	821	46,668	Chuntian Yinxiang Building, No. 331 Huancheng Nan Road, Guandu District, Kunming
Quanzhou Branch	47	544	28,234	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	37	1,093	85,837	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	63	952	79,219	No. 190, Hai'er Road, Laoshan District, Qingdao
Wenzhou Branch	20	565	48,196	Minsheng Bank Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou
Xiamen Branch	24	531	34,050	Xiamen Minsheng Bank Mansion, No. 50 Hubin Nan Road, Siming District, Xiamen
Zhengzhou Branch	123	1,587	98,553	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	50	893	56,041	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha
Changchun Branch	28	549	19,466	Minsheng Tower, No. 500 Changchun Avenue, Nanguan District, Changchun
Hefei Branch	64	727	56,433	Tian Qing Building, No. 135 Bozhou Road, Hefei
Nanchang Branch	45	550	47,991	No. 545, Huizhan Road, Honggutan New District, Nanchang
Shantou Branch	35	433	23,675	1–3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	34	540	58,044	1–3/F, 3M/F, 30–31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning
Hohhot Branch	24	391	28,797	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia
Shenyang Branch	62	507	21,369	No. 65 Nanjing Bei Street, Heping District, Shenyang
Hong Kong Branch	1	209	156,274	40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	42	483	51,293	No. 33 Changling South Road, Gaoxin District, Guiyang
Haikou Branch	21	170	7,575	Zhonghuan International Plaza, No.77 Binhai Avenue, Longhua District, Haikou
Lhasa Branch	5	159	8,317	Global Plaza, No. 8 Beijing Xi Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	2	100	59,896	40/F, No.100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	10	213	11,168	1–6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	11	248	14,820	1–4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	3	160	12,170	No. 314, Yangzijiang Road, Saybagh District, Urumqi
Xining Branch	2	120	8,721	1–4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining
Yinchuan Branch	4	98	3,548	1–5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan
Inter-region adjustment	—	—	-1,819,446	—
Total	2,684	55,212	6,111,060	—

Notes:

1. The number of institutions takes into account all types of banking outlets, including the Head Office, 42 tier-one branches and 41 business departments of tier-one branches (excluding the Hong Kong Branch), tier-two branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, small-business special sub-branches, community sub-branches and small-business sub-branches.

2. Headcount of the Head Office includes all other employees than in branches, including employees of SBUs, such as Credit Card Centre.

3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

Chapter 6 Corporate Governance

I. Corporate Governance Overview

During the Reporting Period, the Company further strengthened its corporate governance structure, improved the internal control system and refined the overall risk management in strict accordance with the latest regulatory policies and requirements. The Board duly performed its responsibilities for risk management and enhanced compliance management of related party transactions while the Board of Supervisors effectively carried out its corporate governance duties. As such, these efforts have facilitated the compliance operation and stable development of the Company and enhanced the due diligence and self-discipline of the Directors, Supervisors and Senior Management. Details of the corporate governance measures are as follows:

1. During the Reporting Period, the Company organised, prepared and convened a total of 38 meetings, including two shareholders' general meetings, six Board meetings, 17 meetings of the special committees under the Board, four meetings of the Board of Supervisors and nine meetings of the special committees of the Board of Supervisors. 182 material resolutions, including the Company's Annual Report, Working Report of the Board, Working Report of the Board of Supervisors, Working Report of the President, financial budgets and final account reports, profit distribution plans and related party transactions, were considered and approved at these meetings.

2. During the Reporting Period, in accordance with the domestic and overseas regulatory requirements, the Company amended the Basic Accounting Rules (《基本會計規則》) and the Administrative Measures for Stress Test (《壓力測試管理辦法》), and formulated the Guiding Opinion on Risk Management by the Board for 2019 (《董事會2019年風險管理指導意見》), the Measures for Overall Risk Management (《全面風險管理辦法》), the Basic Measures for Money Laundering and Terrorist Financing Risks (《洗錢與恐怖融資風險管理基本辦法》), the Administrative Measures for Equity (《股權管理辦法》), the Code of Conduct for Banking Practitioners (《從業人員行為守則》) and the Detailed Rules for the Conduct of Banking Practitioners (《從業人員行為細則》), which further improved the corporate governance system of the Company.

3. Pursuant to the Measures for Performance Appraisal of Senior Management (《高級管理人員盡職考評辦法》), under the guidance of the Compensation and Remuneration Committee of the Board, the Company evaluated the performance of the Senior Management at the Head Office for 2018 in the first half of 2019, which enabled the Board to fully understand their duty performance in order to continuously facilitate the improvement of their capabilities in performing duties.

   Pursuant to the Provisional Measures for Performance Appraisal of Directors (《董事履職評價試行辦法》), the Company completed the annual appraisal of the Directors' performance for 2018 under the guidance of the Compensation and Remuneration Committee of the Board in the first half of 2019 so as to promote due diligence and self-discipline of the Directors.

4. During the Reporting Period, the Board of Supervisors further explored new methods for carrying out regular supervision. The scope of supervision was extended through the issue of risk warnings and supervisory opinions. With an emphasis on its rectification function, the Board of Supervisors carried out real-time, precise and effective supervision. Continuous efforts were made to optimise its routine "inspection and supervision" mechanism which features a matrix of clear and efficient inspection and supervision network, ranging from analysis and investigation to report and follow-up measures. Further measures were taken to refine the communication and sharing system of its supervisory information. It also set up a supervisory information platform for information assessment, research and analysis and circulation in a bid to lower the cost of information supervision and improve the standardisation level of management.

5. During the Reporting Period, with the orderly implementation of supervisory measures as planned, the Board of Supervisors fully performed its functions in corporate governance, promoting the standardised operation and steady development of the Company.

6. During the Reporting Period, adhering to the national strategies, the Company focused on inclusive finance, targeted poverty alleviation, NSOEs, small and micro enterprises and other areas to serve the real economy unswervingly. In accordance with the regulatory requirements, the Company further strengthened the Board's functions in respect of inclusive finance, consumer rights protection, social responsibilities, corporate governance, data governance and other aspects. The Company also amended the Terms of Reference of the Strategic Development and Investment Management Committee under the Board, leading to a more effective and comprehensive corporate governance system.

7. During the Reporting Period, continuous initiatives and improvements were carried out for the overall risk management of the Company. As part of its efforts to sort out the regulatory requirements regarding the risk management duties of the Board, the Company amended the Terms of Reference of the Risk Management Committee under the Board (《董事會風險管理委員會工作細則》) and formulated the Guiding Opinion on Risk Management of the Board for 2019 (《2019年董事會風險管理指導意見》). The Company also conducted risk assessment in respect of the overall risk management system to improve the effectiveness of risk supervision. Regular discussion and review on overall risk management report and various specific risk reports were carried out. These measures allowed the Company to have a thorough and timely understanding of risks and their development trends and enhance the transparency of risk management of the Board.

8. During the Reporting Period, the Company carried out internal control and comprehensive audit and enhanced the awareness of risk prevention of all employees. Through enhancing internal control management and risk prevention, the Company strengthened the effectiveness of internal control and operation management.

9. During the Reporting Period, in order to ensure that all shareholders and investors can get access to material information of the Company in a timely, accurate and complete manner, the Company published a total of 35 A share announcements and 73 H share announcements, including 33 overseas regulatory announcements. The Company completed the publication of the 2018 Annual Report and the First Quarterly Report of 2019. In order to enhance its influence in the capital market, during the Reporting Period, the Company contacted over 230 investors in aggregate through on-site visits, teleconferences, emails and E-interaction platform of SSE (上交所e互動平台).

   During the Reporting Period, upon the thorough internal inspection, the Company confirmed that no information had been provided to any substantial shareholder or ultimate controller before its publication.

II. Shareholders' General Meetings

During the Reporting Period, the Company held two general meetings, at which a total of 17 proposals were considered and approved. Details are as follows:

On 26 February 2019, the first extraordinary general meeting for 2019, the first A share class meeting for 2019, the first H share class meeting for 2019 and the first preference share class meeting for 2019 of the Company were held in Beijing in which shareholders attended and voted on-site and online. Please refer to the website of the Company (www.cmbc.com.cn), the website of the SSE (www.sse.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) as well as China Securities Journal, Shanghai Securities News and Securities Times dated 27 February 2019 for details.

On 21 June 2019, the 2018 annual general meeting, the second A share class meeting for 2019 and the second H share class meeting for 2019 of the Company were held in Beijing in which shareholders attended and voted on-site and online. Please refer to the website of the Company (www.cmbc.com.cn), the website of the SSE (www.sse.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk) as well as China Securities Journal, Shanghai Securities News and Securities Times dated 22 June 2019 for details.

III. Meetings of the Board and its Special Committees

During the Reporting Period, six Board meetings were convened by the Board.

During the Reporting Period, a total of 17 meetings of the special committees under the Board were convened, including three meetings of the Strategic Development and Investment Management Committee, four meetings of the Risk Management Committee, four meetings of the Audit Committee, two meetings of the Related Party Transactions Supervision Committee, two meetings of the Nomination Committee and two meetings of the Compensation and Remuneration Committee.

During the Reporting Period, the Strategic Development and Investment Management Committee under the Board discussed a total of 12 proposals, and received and considered four special working reports. The Risk Management Committee discussed a total of 17 proposals, and received and considered one special working report. The Audit Committee discussed a total of 25 proposals, and received and considered one special working report. The Related Party Transactions Supervision Committee discussed a total of 14 proposals, and received and considered one special working report. The Nomination Committee discussed six proposals. The Compensation and Remuneration Committee discussed a total of six proposals, and received and considered two special working reports.

IV. Meetings of the Board of Supervisors and its Special Committees

During the Reporting Period, four meetings of the Board of Supervisors were convened by the Board of Supervisors and nine meetings of the special committees under the Board of Supervisors were convened, including three meetings of the Nomination and Examination Committee and six meetings of the Supervisory Committee.

During the Reporting Period, in compliance with the laws and regulations, such as the Company Law, and the Articles of Association and according to the development strategies and major objectives of the Company, the Board of Supervisors held 13 meetings of different kinds to consider 42 resolutions including but not limited to the Annual Report of the Company, the Working Report of the Board of Supervisors and the Appraisal Report of the Directors and Senior Management. The Board of Supervisors also received and considered 17 special reports, including reports on overall risk management, liquidity risk management, management of interest rate risks in banking book, operation risks, credit risk internal rating, capital management, anti-money laundering risk management, internal control and compliance, consumer rights protection and the progress of reformation and transformation. The Board of Supervisors attended the meetings of the Board and important business meetings of the Senior Management to carry out their duties of supervising the legality and compliance of the resolutions and decision-making process of the meetings as well as providing their independent supervisory opinions and suggestions in due course. The Board of Supervisors continued its regular supervision and strengthened its supervision on the Company's implementation of strategies, risk management, internal control and compliance and rectification of problems identified through inspections. It conducted 14 investigations and researches and compiled a total of 31 research reports, supervisory reports, strategic assessment reports, risk reminders and supervisory opinions about the Board of Supervisors' work. It provided supervisory opinions and suggestions on relevant works of the Company which were highly valued by the Board and the Senior Management. Relevant departments were required to carry out rectifications according to the reports. It carried out the supervision and evaluations on the performance of the Directors, Supervisors and Senior Management in accordance with the requirements and in a timely manner. By-election of external supervisor was carried out in compliance with laws so as to meet the supervisory requirements on the number of Supervisors.

V. Internal Control and Internal Audit

(I) Internal control evaluation

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Board of Supervisors and the management team and maintained effective internal control management system. In compliance with the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》), Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Company has gradually formed a set of relatively rational and comprehensive internal control policies and formulated internal control mechanisms for risk prevention, control, subsequent supervision and rectification.

The Company duly performed the supervisory and evaluation functions of its internal audit, constantly improved the supervisory system of internal control evaluation and optimised its internal control evaluation procedures and tools, so as to improve the internal control system and enhance the refinement level of internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Company conducted comprehensive internal control evaluations on four tier-one branches in Wenzhou, Guangzhou, Hohhot and Changsha, and seven tier-two branches/non-local sub-branches in Zibo, Weihai, Nansha, Taizhou, Jiaxing, Xiaogan and Huangshi, during the first half of 2019 in aggregate, which effectively covered major businesses and risks. The Company supervised the implementation of internal control and the effective rectification of risks issues through various measures, including regular monitoring, subsequently intensive audits and the adoption of effectiveness assessment of internal control, and adopted audit accountability on major risks according to the Company's regulations. Through constant internal control evaluations, the Company effectively improved the internal control system and enhanced the internal control management.

(II) Internal audit

The Company has an internal audit organisation — the Audit Department. The Company adopted an independent internal audit model with a vertical management structure topped by the Head Office. Currently, the Company has six regional audit centres in Northern China, Eastern China, Southern China, Central China, Northeast China and Western China. The Audit Department set up the Corporate Business Audit Centre, Retail Business Audit Centre, Financial Markets Business Audit Centre, Information Technology Audit Centre, Public Service Audit Centre, Systematic Risk Audit and Data Application Centre, Planning and Project Management Centre and Evaluation Supervision Centre according to the specialised operation characteristics of the Company. The Audit Department is responsible for performing independent examination and evaluation on all business operations and management activities of the Company, monitoring and examining the effectiveness of its internal control and carrying out evaluation and advisory activities for its internal control independently and objectively.

To ensure the independence and effectiveness of the internal audit, material audit findings and internal control defects are directly reported to the Board and notices will be given to the Senior Management. The Company has set up and improved the standardised policies and systems for internal audit, and an integrated audit examination system comprising onsite audit and off-site audit. Off-site audit system covers all asset and liability businesses of the Company. Risk-oriented audit on internal control covers all business lines and internal management procedures including corporate banking, retail banking, financial markets, trade finance, credit card, financial accounting and risk management. The Company has principally achieved full coverage of audit on risk exposures in credit, operation, market and compliance.

The Company performed supervision and examination on internal control of business units through various forms including comprehensive audits, special audits, off-site audits and economic accountability audits. During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the first half of the year and performed a total of 20 special audits. It performed 11 comprehensive internal control audits on business units and conducted 78 economic accountability audits. It issued eight special audit reports, 11 comprehensive internal control audit reports and 102 economic accountability audit reports. It also issued 11 risk reminders and audit comments. Moreover, 22 reports, relevant updates and research reports on major concerns were issued. It fully performed its duties of internal audit supervision, evaluation and consultation. The problems identified in the audit were tracked continuously and urged to be rectified and the persons responsible for the non-compliance were held accountable for audit, which have notably improved the internal control and management of the Company.

VI. Compliance with the Corporate Governance Code Set Out in Appendix 14 of the Hong Kong Listing Rules

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and most of the recommended best practices contained therein.

Chapter 7 Report of the Board of Directors

I. Profit Distribution for 2018

The Company has distributed dividends to all of its shareholders according to the Profit Distribution Plan for 2018 which was passed at the 14th meeting of the seventh session of the Board and the 2018 annual general meeting. On the basis of the total share capital of the Company on the record dates, the Company distributed a cash dividend for 2018 of RMB3.45 (tax inclusive) for every 10 shares to all shareholders whose names appeared on the register of members on the record dates. The total cash dividend amounted to RMB15,105 million. The cash dividend was denominated and declared in RMB and paid to the holders of A shares in RMB and the holders of H shares in Hong Kong dollars.

The Company has distributed the cash dividend to the holders of A shares, the shareholders of Northbound Trading, the holders of H shares and the shareholders of Southbound Trading in July 2019 in accordance with relevant provisions. The profit distribution plan was completed. For details, please refer to the announcement of the Company dated 21 June 2019 published on the HKEXnews website of the SEHK and the announcements dated 21 June 2019 and 28 June 2019 published on the website of the SSE, respectively.

II. Interim Profit Distribution Plan for 2019

No interim profit will be distributed and no capital reserve will be used for capitalisation for the interim period of 2019.

III. Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has adopted its own code of conduct regarding Directors' and Supervisors' dealings in the securities on terms no less exacting than the Model Code. The Company has made specific enquiries to all Directors and Supervisors to confirm that their actions and behaviours have been in line with the Model Code during the Reporting Period. The Company has also formulated guidelines on dealings in securities of the Company by relevant employees, which are no less strict than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

IV. Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or its Associated Corporations under Hong Kong Laws and Regulations

(I) As at 30 June 2019, the following Directors/Supervisor of the Company had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
Liu Yonghao	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
Zhang Hongwei	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	2	3.71	3.00
Lu Zhiqiang	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	2,019,182,618	3	5.69	4.61
		H	Long position	Interest held by his controlled corporation(s)	1,020,538,470	4	12.27	2.33
Shi Yuzhu	Non-executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	5	3.89	3.15
Wang Jiazhi	Employee Supervisor	A	Long position	Beneficial owner	911,664		0.003	0.002

Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

   As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Interim Report, were the same block of shares.

2. The 1,315,117,123 A shares were directly held by Orient Group Incorporation. 29.66% of the issued share capital of Orient Group Incorporation was held by Orient Group Co., Ltd. 94% of the issued share capital of Orient Group Co., Ltd. was held by Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司), while Mingze Orient Investment Co., Ltd. was wholly-owned by Mr. Zhang Hongwei. As disclosed in the section headed "Substantial Shareholders' and Other Persons' interests or Short Positions in the Shares and Underlying Shares of the Company under Hong Kong Laws and Regulations" in this Interim Report, Orient Group Incorporation is a party to the acting in concert agreement.

3. The 2,019,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

4. The 1,020,538,470 H shares (Long position) comprised 8,237,520 H shares directly held by China Oceanwide International Investment Company Limited, 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 98.67% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd., while all of the issued share capital of China Oceanwide International Investment Company Limited and 68.02% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note 3 above).

5. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu.

(II) As at 30 June 2019, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Interest in the registered capital	Note	Percentage of the total registered capital (%)
Liu Yonghao	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

1. New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. Liu Yonghao held 62.34% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

(III) As at 30 June 2019, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Interest in the registered capital	Note	Percentage of the total registered capital (%)
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB24,000,000 of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

(IV) As at 30 June 2019, the following Director of the Company had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Interest in the registered capital	Note	Percentage of the total registered capital (%)
Shi Yuzhu	Non-executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB2,500,000 of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

V. Consumer Rights Protection

During the Reporting Period, the Strategic Development and Investment Management Committee under the Board of the Company considered the Work Summary of Consumer Rights Protection in 2018 and the Special Report on the Plan for Consumer Rights Protection for 2019 prepared by the management team. It instructed the management team to duly protect consumer rights so as to ensure the effective operation of the mechanism of consumer rights protection of the Company.

During the Reporting Period, in order to protect consumer rights, the Company adhered to its development strategy to become "a bank of comprehensive services" and proactively promoted the "customer-centric" concept to protect consumer rights. The system and mechanism to protect consumer rights were improved, which facilitated product and service management, code of conduct for sales, financial knowledge sharing and learning as well as complaint management. The Company continued to optimise the internal assessment of consumer rights protection in order to apply the concept of consumer rights protection to its operation and management process. Consumer rights protection of the Bank has further advanced. Firstly, in respect of system development, the Company refined its system by rectifying defects in accordance with regulatory requirements. The special systems for consumer rights protection and relevant business systems were updated. Secondly, in respect of system and mechanism, the Company maintained the consumer rights protection committee mechanism and optimised its regular reporting mechanism in order to protect the consumer rights more effectively and orderly, the Company refined its special review mechanism for consumer rights protection and reporting system of major events. Thirdly, in respect of product and service management, the Company placed great emphasis on the consumer rights protection of all products and services and continued to strengthen risk management and control in relation to personal consumption related business, including wealth management and agency business, personal loans and credit card business. The Company has further improved the effectiveness of consumer rights protection. Fourthly, in respect of financial education, in order to promote specific principles and ideas to the public in various ways within specific timeframe, the Company held various publicity events in the first half of 2019, including Financial Consumer Rights Promotion Day (金融消費者權益日) and "Financial Knowledge Promotion Event (金融知識進萬家)". The Company organised 5,777 publicity activities with over 65,200 employees and 2.7888 million participants involved. Such publicity events were reported by the media for 312 times and over 1.1323 million leaflets were sent out. Fifthly, in respect of complaint handling, the Company complied with the complaint statistic and categorisation requirements of the PBOC and the CBIRC and facilitated the continuous improvement of its complaints handling capabilities through holding joint meetings for complaints.

Chapter 8 Major Events

I. Material Litigation and Arbitration Proceedings

During the Reporting Period, the Company had no litigation or arbitration proceeding that had significant impact on its operations. As of the end of the Reporting Period, there were 27,293 pending litigations with disputed amount of over RMB1 million involving the Company as plaintiff for approximately RMB100,722.70 million and 279 pending litigations involving the Company as defendant for approximately RMB1,073.34 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with policies and rules of the Company including the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures for Fixed Assets (《固定資產管理辦法》). The Company has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Company has not experienced any loss of assets.

III. Material Contracts and Their Performances

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. The preliminary design of the project is in progress;

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen. All construction work and inspection and acceptance of the construction have been completed. The relocation of Xiamen Branch of the Bank was completed and such branch commenced its operation in November 2017. The settlement and audit are currently under progress;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-district, Quanzhou. The construction of main buildings was completed in June 2019. It is now undergoing the secondary structure construction as well as the installation of fire control, pumping, drainage and air conditioning. The pre-construction preparation work for refined decoration of the public areas is in the process;

The Company participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The consulting report of project approval and materials for internal approval are currently being prepared;

The inspection and acceptance of Shunyi Headquarters in Beijing has been completed and the building has been put into operation. The settlement and audit of the construction have been completed and the formality of title registration is in progress. As at the end of the Reporting Period, the change of GFA and use of property have been submitted to Land Price Evaluation Division of Beijing Municipal Bureau of Land and Resources (北京市國土局地價評審科) for evaluation of land premium, which is at the stage of waiting for evaluation of land premium. Phase II of Shunyi Headquarters in Beijing obtained the Project Filing Certificate of Non-governmental Investment in Industrial and IT Fixed Assets (Shun Jing Xin Bei [2019] No.0008) (《北京市非政府投資工業和信息化固定資產投資項目備案證明》(順經信備[2019]0008號)) on 14 May 2019 and the Letter of Preliminary Review Opinions on "Plan Integration" Synergetic Platform of Shunyi Phase II Cloud Computing Centre of Minsheng Bank (Jing Gui Zi (Shun) Chu Shen [2019] No.0002) (《關於民生銀行順義二期雲計算數據中心項目「多規合一」協同平台初審意見的函》(京規自(順)初審[2019]0002號)) on 11 June 2019. The project is currently under the tendering process for construction drawings;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the earthwork excavation and pile foundation construction. The construction is currently suspended;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the construction of the project has not commenced.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Group were required to be disclosed except for the financial guarantees provided in the course of business operation and approved by the PBOC.

V. Commitments by the Company

During the Reporting Period, the Company had no commitment requiring disclosure.

VI. Repurchase, Sale or Redemption of Securities

During the Reporting Period, the Group has neither sold nor purchased or redeemed any securities of the Company.

VII. Audit Committee

As at the end of the Reporting Period, the members of the Audit Committee of the Company included Liu Ningyu (chairman), Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Tian Suning. On 20 February 2017, the Resolution regarding the Composition of Special Committees of the Seventh Session of the Board (《關於第七屆董事會專門委員會組成成員的決議》) was considered and approved at the first meeting of the seventh session of the Board, pursuant to which, Liu Ningyu shall act as the chairman and Tian Zhiping, Weng Zhenjie, Cheng Hoi-chuen and Peng Xuefeng shall act as the members of the Audit Committee of the Company. In accordance with relevant provisions, Mr. Cheng Hoi-chuen has ceased to be an Independent Non-executive Director of the Company with effect from 21 June 2018. On 29 June 2018, the Resolution regarding the Change of Members of Special Committees of the Seventh Session of the Board (《關於調整公司第七屆董事會部分專門委員會成員的決議》) was considered and approved at the tenth meeting of the seventh session of the Board, pursuant to which, the Director Tian Suning was appointed as a member of the Audit Committee. On 3 July 2018, the Board of the Company received a written resignation from Mr. Tian Zhiping who tendered his resignation as a Director and member of the related special committees of the Company. His resignation became effective upon the submission of his written resignation to the Board of the Company. On 17 May 2019, the Resolution regarding the Appointment of Members of Special Committees of the Seventh Session of the Board (《關於增補公司第七屆董事會部分專門委員會成員的決議》) was considered and approved at the 16th meeting of the seventh session of the Board, pursuant to which, the chairman of the Audit Committee shall be Liu Ningyu and the members shall be Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Tian Suning.

The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and the internal control system of the Company, as well as providing opinions to the Board. The Audit Committee of the Company has reviewed and confirmed the 2019 Interim Report and the 2019 Interim Results Announcement as of 30 June 2019.

VIII. Appointment and Removal of Accounting Firms

In accordance with the Articles of Association and the Administrative Measures on Appointment of Accounting Firm of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司會計師事務所聘任辦法》), the appointment of an accounting firm by the Company shall not exceed a term of eight consecutive years. Upon the end of service term in 2018, the term of appointment of KPMG Huazhen LLP and KPMG Certified Public Accountants as the domestic and international accounting firms of the Company for 2018 expired. The 2018 annual general meeting of the Company resolved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the domestic and international auditors of the Company for 2019, respectively. According to the terms of contracts, the total remuneration agreed between the Company and the above auditors in respect of their audit services for the year, including the auditing of the 2019 financial statements, the service fees for agreed-upon procedures of first quarterly and third quarterly financial statements, the review of the 2019 interim financial statements, the auditing of internal control for 2019, and the auditing of tier-two capital bond and financial bond projects, was RMB8.50 million, including service fees for internal audit of RMB1 million.

IX. Major Related Party Transactions

The Company did not have any related parties with controlling relationship.

For details of the related party transactions under the relevant accounting standards as at the end of the Reporting Period, please see note 10 to the consolidated financial statements.

X. Restriction Commitments Regarding the Disposal of Additional Shares of Shareholders Holding 5% or More Interests in the Company

Not applicable.

XI. Penalties Imposed on the Company and Directors, Supervisors and Senior Management of the Company

During the Reporting Period, the Company was not aware of any penalty against the Company and the Directors, Supervisors and Senior Management of the Company which has a significant impact on the operation of the Company.

XII. Incentive Share Option Scheme and Its Implementation during the Reporting Period

As of the end of the Reporting Period, the Company has not implemented any employee share ownership scheme.

XIII. Environmental Policy of the Company and its Performance

The Company and its subsidiaries were not included in the list of key pollutant-discharging units published by the environmental protection department. The Company has strictly complied with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Solid Pollution Prevention and Control Law of the PRC (《中華人民共和國固體廢物污染防治法》) and other environmental laws and regulations, and during the Reporting Period, there was no penalty resulting from failing to comply with regulations relating to environmental protection. During the Reporting Period, the Company continued to promote green credit business, increase green supply, enhance its supports to green economy, low-carbon economy and recycle economy, keep abreast of relevant government policies relating to the environmental and social risks and refine the alerting mechanism in order to prevent and mitigate the environmental and social risks. The impact of the operation of the Company on the environment mainly results from energy consumption and emission during the ordinary operation. Through initiating green office, enhancing employees' awareness of environmental protection and implementing the construction of a green bank, the Company has continuously promoted energy saving and emission reduction in order to minimise the impact on the environment. Specific emission data and relevant management information will be disclosed in 2019 Environmental, Social and Governance Report of the Company.

XIV. Social Responsibility and Poverty Alleviation Responsibility of the Company

2019 is a crucial year of the poverty alleviation task of the central government. Fengqiu County in Henan Province, a poverty alleviation target of the Company, shook off poverty in May 2019. According to the requirements of the central government of sustaining poverty alleviation follow-up measures in the four aspects, namely responsibilities, policies, assistance and regulation, the Company adhered to its mission of "From the People, For the People (為民而生、與民共生)" to continue to integrate internal and external resources. Assistance was stepped up in areas such as Party building, finance, education, health care, industries, skills, e-commerce and consumption, sustaining the poverty alleviation efforts of Hua County and Fengqiu County in Henan Province. Zheng Wanchun (the President) and Zhang Juntong (chairman of the Board of Supervisors) led teams to Hua County and Fengqiu County to conduct poverty alleviation research and implement the relevant policies.

The Company has organised the "Power of Minsheng's Love — ME Charity Innovation Funding Scheme (我決定民生愛的力量 — ME公益創新資助計劃)" for four consecutive years to facilitate sound development of social charity organisations. It also continued to carry out the AIDS prevention project initiated by China Red Ribbon in Daliangshan, Sichuan, which was under severe poverty. It supported cultural development by operating Minsheng Art Museums in Beijing and Shanghai.

XV. Other Major Events

During the Reporting Period, there were no other major events of the Company.

Financial Reports

I. Review Report

II. Interim Financial Information (Condensed Consolidated Interim Income Statement, Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Financial Position, Condensed Consolidated Interim Statement of Changes in Equity and Condensed Consolidated Interim Statement of Cash Flows)

III. Notes to the Condensed Consolidated Interim Financial Statements

IV. Unaudited Supplementary Financial Information

Report on Review of Interim Financial Information
To the Board of Directors of China Minsheng Banking Corp., Ltd.

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

Introduction

We have reviewed the interim financial information set out on pages 124 to 241, which comprises the condensed consolidated interim statement of financial position of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2019, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2019

Condensed Consolidated Interim Income Statement

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

		Six months ended 30 June	
	Note 6	**2019**	2018
		(unaudited)	(unaudited)
Interest income		**122,868**	114,126
Interest expense		**(77,345)**	(80,252)
Net interest income	1	**45,523**	33,874
Fee and commission income		**29,435**	26,191
Fee and commission expense		**(2,153)**	(1,864)
Net fee and commission income	2	**27,282**	24,327
Net trading gain	3	**11,442**	14,079
Net gain arising from disposals of securities and discounted bills	4	**1,801**	941
Including: disposals of financial instruments measured at amortised cost		**364**	422
Other operating income		**1,035**	1,066
Operating expenses	5	**(19,224)**	(18,870)
Credit impairment losses	6	**(29,313)**	(19,577)
Other impairment losses		**(123)**	46
Profit before income tax		**38,423**	35,886
Income tax expense	7	**(6,455)**	(6,033)
Net profit		**31,968**	29,853
Net profit attributable to:			
Equity shareholders of the Bank		**31,623**	29,618
Non-controlling interests		**345**	235
Basic/Diluted earnings per share (expressed in RMB)	8	**0.72**	0.68

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Other comprehensive income of the period, net of tax	**837**	1,672
Other comprehensive income attributable to equity shareholders of the bank, net of tax	**769**	1,776
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	**(14)**	—
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	**413**	1,679
Allowance for impairment losses	**417**	51
Effective hedging portion of gains or losses arising from cash flow hedging instruments	**(17)**	7
Exchange difference on translating foreign operations	**(30)**	39
Other comprehensive income attributable to non-controlling interests, net of tax	**68**	(104)
Total comprehensive income of the period	**32,805**	31,525
Total comprehensive income attributable to:		
Equity shareholders of the Bank	**32,392**	31,394
Non-controlling interests	**413**	131

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

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 6	**30 June 2019**	31 December 2018
		(unaudited)	(audited)
ASSETS			
Cash and balances with central bank	9	**376,234**	389,281
Balances with banks and other financial institutions	10	**56,571**	52,154
Precious metals		**12,638**	7,205
Placements with banks and other financial institutions	11	**240,271**	246,525
Derivative financial assets	12	**26,206**	33,112
Financial assets held under resale agreements	13	**42,270**	39,190
Loans and advances to customers	14	**3,130,005**	3,008,272
Financial investments:	15		
— Financial assets at fair value through profit or loss		**477,068**	381,093
— Financial assets at fair value through other comprehensive income		**498,062**	461,693
— Financial assets measured at amortised cost		**1,203,632**	1,127,231
Long-term receivables	16	**110,202**	110,824
Property and equipment	17	**48,126**	48,765
Right-of-use assets	18	**14,271**	N/A
Deferred income tax assets	19	**32,481**	30,691
Investments in associates		**3**	—
Other assets	21	**72,618**	58,786
Total assets		**6,340,658**	5,994,822
LIABILITIES			
Borrowings from central bank		**235,060**	304,323
Deposits and placements from banks and other financial institutions	22	**1,113,188**	1,091,860
Financial liabilities at fair value through profit or loss		**1,178**	987
Borrowings from banks and other financial institutions	23	**132,599**	125,043
Derivative financial liabilities	12	**10,221**	18,000
Financial assets sold under repurchase agreements	24	**81,355**	89,687
Deposits from customers	25	**3,457,364**	3,194,441
Lease liabilities	26	**10,143**	N/A
Provisions	27	**1,255**	1,371
Debt securities issued	28	**719,323**	674,523
Current income tax liabilities		**12,472**	8,728
Deferred income tax liabilities	19	**123**	123
Other liabilities	29	**77,705**	54,735
Total liabilities		**5,851,986**	5,563,821

Condensed Consolidated Interim Statement of Financial Position (continued)

As at 30 June 2019

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 6	**30 June 2019**	31 December 2018
		(unaudited)	(audited)
EQUITY			
Share capital	30	**43,782**	43,782
Other equity instrument		**49,884**	9,892
Including: Preference shares	31	**9,892**	9,892
Perpetual bonds	32	**39,992**	—
Reserves			
Capital reserve	30	**57,450**	57,470
Surplus reserve	33	**39,911**	39,911
General reserve	33	**74,396**	74,370
Other reserves		**2,288**	1,518
Retained earnings	33	**209,622**	193,131
Total equity attributable to equity shareholders of the Bank		**477,333**	420,074
Non-controlling interests	34	**11,339**	10,927
Total equity		**488,672**	431,001
Total liabilities and equity		**6,340,658**	5,994,822

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

Approved and authorised for issue by the Board of Directors on 30 August 2019.

Hong Qi
Chairman

Zheng Wanchun
Director and President

Liu Ningyu
Director

(Company Seal)

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2019

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited		Attributable to equity shareholders of the Bank											
				Reserves									
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note 6	30	32	30	33	33	36		36	33		34	
At 31 December 2018		**43,782**	**9,892**	**57,470**	**39,911**	**74,370**	**1,133**	**362**	**23**	**193,131**	**420,074**	**10,927**	**431,001**
Net profit		–	–	–	–	–	–	–	–	31,623	31,623	345	31,968
Other comprehensive income, net of tax		–	–	–	–	–	816	(30)	(17)	–	769	68	837
Total comprehensive income		–	–	–	–	–	816	(30)	(17)	31,623	32,392	413	32,805
Capital Injection by shareholders													
1. Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	20	20
2. Capital injection to subsidiaries		–	–	(20)	–	5	–	–	–	(5)	(20)	20	–
3. Capital injection by holders of other equity instruments		–	39,992	–	–	–	–	–	–	–	39,992	–	39,992
Profit distribution													
1. Appropriation to general reserve	33	–	–	–	–	21	–	–	–	(21)	–	–	–
2. Cash dividends	35	–	–	–	–	–	–	–	–	(15,105)	(15,105)	(41)	(15,146)
Changes in share capital													
Retained earnings convert from investment revaluation reserve		–	–	–	–	–	1	–	–	(1)	–	–	–
At 30 June 2019		**43,782**	**49,884**	**57,450**	**39,911**	**74,396**	**1,950**	**332**	**6**	**209,622**	**477,333**	**11,339**	**488,672**

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

Condensed Consolidated Interim Statement of Changes in Equity (continued)

For the six months ended 30 June 2019

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited		Attributable to equity shareholders of the Bank											
				Reserves									
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note 6	30	32	30	33	33	36		36	33		34	
At 31 December 2017		36,485	9,892	64,753	34,914	74,168	(4,757)	98	(3)	163,420	378,970	10,842	389,812
Changes in accounting		–	–	–	–	–	1,489	–	–	(11,527)	(10,038)	(148)	(10,186)
At 1 January 2018		36,485	9,892	64,753	34,914	74,168	(3,268)	98	(3)	151,893	368,932	10,694	379,626
Net profit		–	–	–	–	–	–	–	–	29,618	29,618	235	29,853
Other comprehensive income, net of tax		–	–	–	–	–	1,730	39	7	–	1,776	(104)	1,672
Total comprehensive income		–	–	–	–	–	1,730	39	7	29,618	31,394	131	31,525
Capital Injection by shareholders													
Capital injection by non-controlling shareholders		–	–	1	–	–	–	–	–	(1)	–	4	4
Profit distribution													
1. Appropriation to general reserve	33	–	–	–	–	136	–	–	–	(136)	–	–	–
2. Cash dividends	35	–	–	–	–	–	–	–	–	(3,284)	(3,284)	(27)	(3,311)
Changes in share capital													
Ordinary shares converted from capital reserve		7,297	–	(7,297)	–	–	–	–	–	–	–	–	–
At 30 June 2018		43,782	9,892	57,457	34,914	74,304	(1,538)	137	4	178,090	397,042	10,802	407,844

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

Condensed Consolidated Interim Statement of Changes in Equity (continued)

For the year ended 31 December 2018

(Expressed in millions of Renminbi, unless otherwise stated)

Audited		Attributable to equity shareholders of the Bank											
				Reserves									
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note 6	30	32	30	33	33	36		36	33		34	
At 31 December 2017		36,485	9,892	64,753	34,914	74,168	(4,757)	98	(3)	163,420	378,970	10,842	389,812
Changes in accounting		—	—	—	—	—	1,489	—	—	(11,527)	(10,038)	(148)	(10,186)
At 1 January 2018		36,485	9,892	64,753	34,914	74,168	(3,268)	98	(3)	151,893	368,932	10,694	379,626
Net profit		—	—	—	—	—	—	—	—	50,327	50,327	3	50,330
Other comprehensive income, net of tax		—	—	—	—	—	4,401	264	26	—	4,691	36	4,727
Total comprehensive income		—	—	—	—	—	4,401	264	26	50,327	55,018	39	55,057
Capital Injection by shareholders													
1. Capital injection by non-controlling shareholders		—	—	98	—	—	—	—	—	(1)	97	242	339
2. Change in shareholdings in subsidiaries		—	—	(84)	—	6	—	—	—	(61)	(139)	(13)	(152)
Profit distribution													
1. Appropriation to surplus reserve	33	—	—	—	4,997	—	—	—	—	(4,997)	—	—	—
2. Appropriation to general reserve	35	—	—	—	—	196	—	—	—	(196)	—	—	—
3. Cash dividends		—	—	—	—	—	—	—	—	(3,834)	(3,834)	(29)	(3,863)
Changes in share capital													
Ordinary shares converted from capital reserve		7,297	—	(7,297)	—	—	—	—	—	—	—	—	—
Others													
Disposal of subsidiaries		—	—	—	—	—	—	—	—	—	—	(6)	(6)
At 31 December 2018		43,782	9,892	57,470	39,911	74,370	1,133	362	23	193,131	420,074	10,927	431,001

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

Condensed Consolidated Interim Statement of Cash Flows

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Cash flows generated from operating activities:		
Profit before income tax	**38,423**	35,886
Adjustments for:		
— Credit impairment losses	**29,313**	19,577
— Other impairment losses	**123**	(46)
— Depreciation and amortisation	**3,623**	2,479
— Losses on disposal of property and equipment and other long-term assets	**(177)**	19
— Gains from changes in fair value	**(2,967)**	(11,470)
— Net gains on disposal of investment securities	**(7,750)**	(11,576)
— Interest expense on debt securities issued	**12,715**	12,168
— Interest income from investment securities	**(31,925)**	(29,582)
Subtotal	**41,378**	17,455
Changes in operating assets:		
Net decrease in balances with central bank, banks and other financial institutions	**16,002**	50,547
Net decrease/(increase) in placements with banks and other financial institutions	**5,577**	(35,453)
Net decrease in financial assets held under resale agreements	**(3,272)**	18,427
Net increase in loans and advances to customers	**(150,705)**	(269,775)
Net increase in other operating assets	**(64,259)**	(24,708)
Subtotal	**(196,657)**	(260,962)

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

Condensed Consolidated Interim Statement of Cash Flows (continued)

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Cash flows generated from operating activities: (continued)		
Changes in operating liabilities:		
Net increase in deposits from customers	**260,223**	191,570
Net decrease in deposits and placements from banks and other financial institutions	**22,380**	(55,620)
Net decrease in financial assets sold under repurchase agreements	**(8,296)**	(21,764)
Income tax paid	**(4,501)**	(6,464)
Net decrease in borrowings from central bank	**(70,483)**	(1,130)
Net increase/(decrease) in other operating liabilities	**17,684**	(25,357)
Subtotal	**217,007**	81,235
Net cash used in operating activities	**61,728**	(162,272)
Cash flows from investing activities:		
Proceeds from sale and redemption of investments	**694,278**	799,668
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	**352**	925
Cash payment for purchase of investment securities	**(817,929)**	(664,302)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets	**(1,910)**	(1,987)
Net cash generated from investing activities	**(125,209)**	134,304

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

Condensed Consolidated Interim Statement of Cash Flows (continued)

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

	Note 6	**Six months ended 30 June** **2019** **(unaudited)**	2018 (unaudited)
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		**40,000**	—
Capital contribution from non-controlling interests to subsidiaries		**20**	—
Proceeds from issue of debt securities		**420,980**	588,799
Repayment of debt securities issued		**(384,023)**	(551,258)
Interest paid on debt securities issued		**(5,192)**	(2,836)
Decrease/(Increase) in other financing activities		**(1,655)**	—
Net cash generated from financing activities		**70,130**	34,705
Net increase in cash and cash equivalents		**6,649**	6,737
Cash and cash equivalents at 1 January		**138,026**	109,099
Effect of exchange rate changes on cash and cash equivalents		**129**	234
Cash and cash equivalents at 30 June	37	**144,804**	116,070

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

1 GENERAL INFORMATION

China Minsheng Banking Corp., Ltd. (the "Bank") is a national joint-stock commercial bank established in the People's Republic of China ("PRC") on 7 February 1996 with the approval of the State Council of the PRC and the People's Bank of China ("PBOC").

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former "China Banking Regulatory Commission" and "China Insurance Regulatory Commission", the "CBIRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

The Bank's A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively. The offshore preference shares are listed in the Stock Exchange of Hong Kong Limited and the stock code is 04609.

In this Interim Financial Information, 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 Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the "Group") mainly provide corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 30 June 2019, the Bank had 42 tier-one branches and 32 subsidiaries.

2 BASIS OF PREPARATION

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

3 KEY ACCOUNTING POLICIES

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

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

3 KEY ACCOUNTING POLICIES (CONTINUED)

3.1 Standards and amendments effective in 2019 relevant to and adopted by the Group

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

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

The new accounting standard IFRS 16 Leases and their impacts are disclosed in Note 3.3 Changes in key accounting policies and Note 3.4 The impact of changes in key accounting policies, respectively. The adoption of the other standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

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

In the current interim period, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

Standards/Amendments		Effective date
Amendments to IAS 1 and IAS 8	The Definition of Material	1 January 2020
Amendments to IFRS 3	The Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

3.3 Key changes in accounting policies

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the balance sheet on 1 January 2019.

(1) Identifying a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3 KEY ACCOUNTING POLICIES (CONTINUED)

3.3 Key changes in accounting policies (continued)

(2) Lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability.

The Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

— The amount of the initial measurement of the lease liability;

— Any lease payments made at or before the commencement date less any lease incentives received;

— Any initial direct costs incurred by the lessee;

— An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

— Fixed payments, less any lease incentives receivable;

— Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— Amounts expected to be payable under residual value guarantees;

— The exercise price of a purchase option if the Group is reasonably certain to exercise that option;

— Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

(3) Recognition exemptions

The Group elects not to apply the requirements above to:

— Short-term leases;

— Lease for which the underlying asset is of low value.

The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(4) Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

a Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis, and recognises costs, including depreciation, incurred in earning the lease income as an expense. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

3 KEY ACCOUNTING POLICIES (CONTINUED)

3.3 Key changes in accounting policies (continued)

(4) Lessor (continued)

b Finance leases

At the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

3.4 The impact of changes in key accounting policies

For operating lease contracts existed prior to the first adoption of IFRS 16 Leases, the Group determined different cohesion methods according to the remaining lease period:

— If the remaining lease period is longer than 12 months, for these operating leases before the first application date, the existing contract selection before the first execution date is not re-evaluated whether it is a lease or includes a lease in accordance with the relevant provisions of IFRS 16. The Group recognised the lease liabilities on the basis of the remaining lease payments and lessee's incremental borrowing rate as at 1 January 2019. Based on the amount determined by the lease liabilities, the Group made necessary adjustments according to the rental prepayment to determine the book value of the right-of-use assets. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.59%.

— If the remaining lease period is less than 12 months, the Group adopts practical expedients and does not recognise the right-of-use assets or lease liabilities, which have no significant impact on the financial statements.

— For operating lease contracts of low-value assets that existed before the first adoption of IFRS 16, the Group adopts practical expedients and does not recognise the right-of-use assets or lease liabilities, which have no significant impact on the financial statements.

The impact of the Group's adoption of IFRS 16 Leases is as follows:

	1 January 2019
Right-of-use assets	**14,903**
Lease liabilities	**10,609**

As at 1 January 2019, the Group adjusted the disclosed unpaid minimum operating lease payments to the lease liabilities recognised in accordance with IFRS 16 Leases as following:

Operating lease commitments disclosed as at 31 December 2018	**13,679**
Discounted payments using the lessee's incremental borrowing rate of at the date of initial application	**10,877**
Add: adjustments as a result of a different treatment of extension and termination options	**1**
Less: short-term leases recognised on a straight-line basis as expense	**(239)**
Less: low-value leases recognised on a straight-line basis as expense	**(30)**
Lease liabilities recognised as at 1 January 2019	**10,609**

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk management overview

In accordance with the Comprehensive Risk Management Framework of COSO and with the Comprehensive Risk Management Guidelines of CBIRC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

The Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund"), CMBC International Holding Ltd. ("CMBC International") and 29 Rural banks. These subsidiaries are responsible for financial risk management in their respective businesses as separate entities. The financial risk arising from commercial banking was the most significant risk for the Group's operations. The Group formulated the "Administrative Measures of Subsidiaries of China Minsheng Banking Corporation Limited on Comprehensive Risk Management" to further enhance the risk management of these subsidiaries.

Based on new regulatory requirements and market changes, the Group formulated risk preferences and risk policies based on actual conditions, to clarify objectives of portfolio quota management, to improve risk quantification tools and information systems, to establish control mechanisms and to improve risk management covering the entire process. Meanwhile, to re-examine and optimise the preference transmission mechanism, risk policy, portfolio management, systems and tools based on execution to ensure preferences and policies have been implemented to strengthen the support of risk management for strategic decision-making.

The Bank has a Risk Management Committee under the Board of Directors, and the committee is responsible for setting up the Bank's overall risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing its effectiveness. In accordance with the risk management strategy, the Bank's senior management formulates and promotes the corresponding risk management policies.

The Development and Planning Department under the Bank's senior management is responsible for the routine management of subsidiaries, to establish and optimise the risk management framework at Group level gradually.

4.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, faulty asset professional management and collecting and other major methods for credit risk management.

(1) Credit risk measurement

(a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

4.2 Credit risk (continued)

(1) Credit risk measurement (continued)

(a) Loans and credit commitments (continued)

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass: The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special-mention: The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.

Sub-standard: The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.

Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.

Loss: After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

(b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control staff will regularly analyse the credit profile of issuers of debt securities, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitor actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and prevent and control customer concentration risks.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(2) Risk limit control and mitigation policies (continued)

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

— Real estate and land use rights

— Machinery and equipment

— Right to receive payments and accounts receivable

— Financial instruments such as time deposits, debt securities and equities.

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit line.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(3) Expected Credit Loss ("ECL") measurement

According to the new standard, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

Financial instrument risk stages

The Group applies a 'three-stage model' for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

Criteria for significant increases in credit risk ("SICR")

Criteria for SICR include but are not limited to:

— The principal or interest is overdue for more than 30 days;

— Significant change in credit rating. Internal rating results of the Group will be adopted as the result of credit rating;

— The debtor experiences serious production or operation problems, the overall profitability decreased significantly, and the financial position is poor;

— Changes or events with a significant negative impact on the solvency of the debtor;

— Other objective evidence of a significant increase in credit risk of financial asset.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(3) Expected Credit Loss (“ECL”) measurement (continued)

Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

— The principal or interest of a financial asset is overdue for more than 90 days;

— Significant financial difficulty of the issuer or obligor;

— A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

— The creditor, for economic or contractual reasons relating to the debtor’s financial difficulty, grants the debtor a concession that the Group would not otherwise consider;

— The debtor will probably enter bankruptcy or another financial reorganisation;

— The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;

— The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;

— Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

Parameters for ECL measurement

Except for credit-impaired financial assets, according to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument. Expected credit losses are the weighted average of the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

— PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower’s point-in-time probability of default under the current macroeconomic environment;

— LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;

— EAD refers to the total amount of on and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(3) Expected Credit Loss (“ECL”) measurement (continued)

Forward-looking information incorporated in the ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio, such as GDP, M2 and customer confidence index and so on. The forecasts of these economic variables are provided periodically and the most relevant variables are picked and estimated by the Group.

The Group determines the relationship between these economic variables and PD and LGD by constructing econometric model, so as to ascertain the impacts of historical changes in these variables on PD and LGD.

The Group determines the positive, neutral and negative scenarios and their weights according to the analysis of macro data and the judgement of experts, and calculate thereby the weighted average ECL allowance.

(4) Maximum credit risk exposure

The following table presents the Group’s maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	30 June 2019	31 December 2018
Balances with central bank	**370,169**	382,297
Balances with banks and other financial institutions	**56,571**	52,154
Derivative financial assets	**26,206**	33,112
Placements with banks and other financial institutions	**240,271**	246,525
Financial assets held under resale agreements	**42,270**	39,190
Loans and advances to customers	**3,130,005**	3,008,272
Financial investments		
— Financial assets at fair value through profit or loss	**369,382**	310,733
— Financial assets at fair value through other comprehensive income	**496,515**	461,068
— Financial assets measured at amortised cost	**1,203,632**	1,127,231
Long-term receivables	**110,202**	110,824
Other financial assets	**54,157**	38,568
Total	**6,099,380**	5,809,974
Off-balance sheet credit commitments	**1,202,944**	1,006,714
Maximum credit risk exposure	**7,302,324**	6,816,688

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(5) Analysis on the credit quality of financial instruments

(a) As at 30 June 2019, the credit risk stages of financial instruments at fair value through other comprehensive income, and financial instruments at amortised cost are as followed:

	Gross carrying amount				**Provision for expected credit losses**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and balances with central bank	**376,234**	**—**	**—**	**376,234**	**—**	**—**	**—**	**—**
Balances with banks and other financial institutions	**56,244**	**—**	**446**	**56,690**	**(4)**	**—**	**(115)**	**(119)**
Placements with banks and other financial institutions	**240,173**	**—**	**303**	**240,476**	**(190)**	**—**	**(15)**	**(205)**
Financial assets held under resale agreements	**42,275**	**—**	**—**	**42,275**	**(5)**	**—**	**—**	**(5)**
Loans and advances to customers								
— Corporate loans and advances	**1,772,207**	**109,872**	**31,286**	**1,913,365**	**(14,232)**	**(15,377)**	**(15,846)**	**(45,455)**
— Personal loans and advances	**1,250,376**	**17,019**	**26,951**	**1,294,346**	**(8,567)**	**(5,077)**	**(20,074)**	**(33,718)**
Financial investments	**1,693,844**	**1,078**	**8,688**	**1,703,610**	**(3,087)**	**(103)**	**(1,829)**	**(5,019)**
Long-term receivables	**103,877**	**2,159**	**7,749**	**113,785**	**(832)**	**(1,933)**	**(818)**	**(3,583)**
Credit commitments	**1,201,236**	**1,566**	**142**	**1,202,944**	**(1,192)**	**(50)**	**(13)**	**(1,255)**

(b) As at 31 December 2018, the credit risk stages of financial instruments at fair value through other comprehensive income, and financial instruments at amortised cost are as followed:

	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central bank	389,281	—	—	389,281	—	—	—	—
Balances with banks and other financial institutions	52,161	—	97	52,258	(7)	—	(97)	(104)
Placements with banks and other financial institutions	246,728	—	—	246,728	(203)	—	—	(203)
Financial assets held under resale agreements	39,195	—	—	39,195	(5)	—	—	(5)
Loans and advances to customers								
— Corporate loans and advances	1,710,264	107,458	28,270	1,845,992	(11,593)	(16,311)	(11,477)	(39,381)
— Personal loans and advances	1,189,668	16,644	27,184	1,233,496	(7,770)	(4,918)	(20,139)	(32,827)
Financial investments	1,581,937	2,141	7,280	1,591,358	(2,662)	(204)	(1,700)	(4,566)
Long-term receivables	103,457	9,959	1,053	114,469	(913)	(2,184)	(548)	(3,645)
Credit commitments	1,005,533	1,082	99	1,006,714	(1,335)	(33)	(3)	(1,371)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(6) Loans and advances to customers

Loans and advances to customers are as following:

	30 June 2019	31 December 2018
Stage 1		
Unsecured loans	**680,237**	702,955
Guaranteed loans	**522,439**	560,794
Loans secured by		
Tangible assets other than monetary assets	**1,396,459**	1,261,230
Monetary assets	**423,448**	374,953
Subtotal	**3,022,583**	2,899,932
Stage 2		
Unsecured loans	**16,276**	15,043
Guaranteed loans	**56,048**	50,019
Loans secured by		
Tangible assets other than monetary assets	**37,365**	36,423
Monetary assets	**17,202**	22,617
Subtotal	**126,891**	124,102
Stage 3		
Unsecured loans	**12,692**	11,296
Guaranteed loans	**23,732**	24,483
Loans secured by		
Tangible assets other than monetary assets	**17,313**	15,927
Monetary assets	**4,500**	3,748
Subtotal	**58,237**	55,454
Total	**3,207,711**	3,079,488
Credit-impaired loans secured by collateral	**10,168**	9,416

4.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

(a) Loans and advances to customers analysed by industries are as following

	30 June 2019		31 December 2018	
	Amount	**(%)**	Amount	(%)
Corporate loans and advances				
Real estate	**460,363**	**14.46**	387,942	12.69
Leasing and commercial services	**372,684**	**11.71**	344,669	11.28
Manufacturing	**280,288**	**8.80**	305,767	10.00
Wholesale and retail	**170,248**	**5.35**	185,485	6.07
Mining	**112,365**	**3.53**	117,374	3.84
Financial services	**109,249**	**3.43**	85,139	2.79
Water, environment and public utilities management	**106,043**	**3.33**	101,924	3.33
Construction	**90,544**	**2.84**	94,069	3.08
Transportation, storage and postal service	**65,215**	**2.05**	69,469	2.27
Production and supply of electric power, heat, gas and water	**48,307**	**1.52**	48,948	1.60
Accommodation and catering	**10,449**	**0.33**	10,079	0.33
Agriculture, forestry, animal husbandry and fishery	**10,122**	**0.32**	13,916	0.46
Public administration, social security and social organisations	**6,779**	**0.21**	7,379	0.24
Others	**49,739**	**1.56**	54,041	1.76
Subtotal	**1,892,395**	**59.44**	1,826,201	59.74
Personal loans and advances	**1,291,566**	**40.56**	1,230,545	40.26
Total	**3,183,961**	**100.00**	3,056,746	100.00

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

(b) Loans and advances to customers by geographical area are as following:

	30 June 2019		31 December 2018	
	Amount	**(%)**	Amount	(%)
Head Office	**439,512**	**13.80**	415,349	13.59
Yangtze River Delta	**762,745**	**23.96**	720,860	23.58
Pearl River Delta	**438,669**	**13.78**	429,622	14.05
Bohai Rim	**514,064**	**16.15**	496,998	16.26
Northeastern Region	**77,111**	**2.42**	84,037	2.75
Central Region	**414,550**	**13.02**	399,716	13.08
Western Region	**465,907**	**14.63**	442,186	14.47
Overseas and subsidiaries	**71,403**	**2.24**	67,978	2.22
Total	**3,183,961**	**100.00**	3,056,746	100.00

(7) Loans and advances restructured

Restructuring is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, restructured credit terms generally as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group restructures a non-performing loan only if the borrower has good prospects. In addition, prior to approving the restructuring of loans, the Group typically requires additional guarantees, pledges and/or collateral, or assumption of the loans by a borrower with better repayment ability. Restructured loans amounted to RMB18,166 million as at 30 June 2019 (31 December 2018: RMB18,978 million).

Among impaired loans and advances, restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	30 June 2019	31 December 2018
Loans and advances to customers	**1,786**	1,827
% of total loans and advances	**0.06**	0.06

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(8) Amounts due from banks and other financial institutions

Amounts due from banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements.

	30 June 2019	31 December 2018
Impaired loans and advances	**749**	97
Less: allowance for impairment losses	**(130)**	(97)
Subtotal	**619**	—
Neither past due nor credit-impaired:		
Grade A to AAA	**248,734**	256,762
Grade B to BBB	**68,926**	60,928
Unrated	**20,192**	19,305
Total	**337,852**	336,995
Interest accrued	**840**	1,089
Less: allowance for impairment losses	**(199)**	(215)
Subtotal	**338,493**	337,869
Total	**339,112**	337,869

Amounts due from banks and other financial institutions are analysed above according to the Group and the Bank's internal credit rating. Exposure limits are set for banks and non-bank financial institutions.

4.2 Credit risk (continued)

(9) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	30 June 2019					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
With credit impaired						
— Banking and non-banking financial institutions	**8,376**	**—**	**—**	**—**	**—**	**8,376**
— Corporates	**224**	**—**	**—**	**—**	**88**	**312**
Subtotal	**8,600**	**—**	**—**	**—**	**88**	**8,688**
Less: the credit losses of financial assets measured at amortised cost						**(1,630)**
Subtotal						**7,058**
Not impaired						
— Government	**3,333**	**768,541**	**—**	**28,566**	**—**	**800,440**
— Policy banks	**28,403**	**20,221**	**150**	**14,877**	**810**	**64,461**
— Banking and non-banking financial institutions	**755,281**	**102,862**	**4,987**	**27,360**	**15,947**	**906,437**
— Corporates	**151,769**	**70,436**	**9,183**	**12,260**	**30,184**	**273,832**
Subtotal	**938,786**	**962,060**	**14,320**	**83,063**	**46,941**	**2,045,170**
Interest accrued						**19,134**
Less: the expected credit losses of financial assets measured at amortised cost						**(1,833)**
Subtotal						**2,062,471**
Total						**2,069,529**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

(9) Distribution of debt instruments analysed by issuers and rating (continued)

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2018					
	Unrated	AAA	AA	A	Lower than A	Total
With credit impaired						
— Banking and non-banking financial institutions	6,958	—	—	—	—	6,958
— Corporates	234	—	—	—	88	322
Subtotal	7,192	—	—	—	88	7,280
Less: the credit losses of financial assets measured at amortised cost						(1,503)
Subtotal						5,777
Not impaired						
— Government	3,485	766,945	137	51,341	—	821,908
— Policy banks	—	49,680	150	7,115	1,308	58,253
— Banking and non-banking financial institutions	583,041	154,335	6,194	21,392	14,782	779,744
— Corporates	78,560	96,323	9,797	5,765	26,300	216,745
Subtotal	665,086	1,067,283	16,278	85,613	42,390	1,876,650
Interest accrued						18,161
Less: the expected credit losses of financial assets measured at amortised cost						(1,556)
Subtotal						1,893,255
Total						1,899,032

Unrated debt investments held by the Group mainly include asset management plans and trusts, wealth management products and bonds issued primarily by policy banks, etc.

4.2 Credit risk (continued)

(10) Investments classified as asset management plans and trust beneficial rights analysed by type of underlying assets.

	30 June 2019	31 December 2018
Asset management plans and trust beneficial rights		
Interbank assets	**53,186**	51,410
Credit assets	**265,782**	211,020
Rediscounted bills	**175,562**	148,172
Others	**7,502**	6,783
Total	**502,032**	417,385

The Group divides asset management plans and trust beneficial rights into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral, and pledge.

4.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedged against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future currency risks based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest mainly US dollars and Hong Kong dollars.

The Group manages the Currency risk by controlling each currency exposure limits and total exposure.

The primary techniques applied by the Group in analysing currency risk are mainly foreign exchange exposure analyses; scenario analyses; stress testing; and value at risk (VaR) method. The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	30 June 2019				
	RMB	**USD**	**HKD**	**Others**	**Total**
Assets:					
Cash and balances with central bank	**335,004**	**40,703**	**281**	**246**	**376,234**
Balances with banks and other financial institutions	**32,533**	**19,749**	**1,900**	**2,389**	**56,571**
Placements with banks and other financial institutions	**205,609**	**31,298**	**2,314**	**1,050**	**240,271**
Financial assets held under resale agreements	**42,270**	**—**	**—**	**—**	**42,270**
Loans and advances to customers	**2,964,127**	**112,117**	**32,090**	**21,671**	**3,130,005**
Financial investments	**2,008,309**	**153,356**	**5,898**	**11,199**	**2,178,762**
Long-term receivables	**81,482**	**28,720**	**—**	**—**	**110,202**
Other assets	**156,096**	**35,017**	**2,568**	**12,662**	**206,343**
Total assets	**5,825,430**	**420,960**	**45,051**	**49,217**	**6,340,658**
Liabilities:					
Borrowings from central bank	**235,060**	**—**	**—**	**—**	**235,060**
Deposits and placements from banks and other financial institutions	**993,788**	**102,198**	**7,700**	**9,502**	**1,113,188**
Borrowings from banks and other financial institutions	**79,824**	**50,028**	**2,731**	**16**	**132,599**
Financial assets sold under repurchase agreements	**69,125**	**11,099**	**—**	**1,131**	**81,355**
Deposits from customers	**3,257,284**	**173,991**	**18,400**	**7,689**	**3,457,364**
Debt securities issued	**698,470**	**20,853**	**—**	**—**	**719,323**
Lease liabilities	**9,666**	**296**	**180**	**1**	**10,143**
Other liabilities	**95,075**	**6,954**	**669**	**256**	**102,954**
Total liabilities	**5,438,292**	**365,419**	**29,680**	**18,595**	**5,851,986**
Net position	**387,138**	**55,541**	**15,371**	**30,622**	**488,672**
Foreign currency derivatives	**(3,018)**	**(50,475)**	**(106)**	**—**	**(53,599)**
Off-balance sheet credit commitments	**1,154,825**	**37,654**	**2,066**	**8,399**	**1,202,944**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

(2) Currency risk (continued)

	31 December 2018				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	348,249	40,517	260	255	389,281
Balances with banks and other financial institutions	27,632	18,254	4,017	2,251	52,154
Placements with banks and other financial institutions	206,562	30,503	6,987	2,473	246,525
Financial assets held under resale agreements	39,184	6	—	—	39,190
Loans and advances to customers	2,836,711	119,860	28,266	23,435	3,008,272
Financial investments	1,813,972	137,928	8,571	9,546	1,970,017
Long-term receivables	83,328	27,496	—	—	110,824
Other assets	128,068	32,767	1,776	15,948	178,559
Total assets	5,483,706	407,331	49,877	53,908	5,994,822
Liabilities:					
Borrowings from central bank	304,323	—	—	—	304,323
Deposits and placements from banks and other financial institutions	965,652	105,781	7,031	13,396	1,091,860
Borrowings from banks and other financial institutions	73,960	47,795	3,288	—	125,043
Financial assets sold under repurchase agreements	81,067	8,065	—	555	89,687
Deposits from customers	2,993,570	174,166	14,996	11,709	3,194,441
Debt securities issued	653,851	20,672	—	—	674,523
Other liabilities	76,674	6,144	851	275	83,944
Total liabilities	5,149,097	362,623	26,166	25,935	5,563,821
Net position	334,609	44,708	23,711	27,973	431,001
Foreign currency derivatives	324	(1,857)	74	—	(1,459)
Off-balance sheet credit commitments	955,252	41,014	3,024	7,424	1,006,714

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 30 June 2019, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB762 million (31 December 2018: increase by RMB138 million); a depreciation of one hundred basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB762 million (31 December 2018: decrease by RMB138 million).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

(2) Currency risk (continued)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;

b. The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;

c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;

d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;

e. Other variables (including interest rates) remained unchanged; and

f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk is the mainly sources of risk for the Group.

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, re pricing gap analyses, duration analyses and stress testing. The Group manage the interest rate risk in the frame of the exposure limit by monthly monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

(3) Interest rate risk (continued)

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

		30 June 2019					
	Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		370,025	—	—	—	6,209	376,234
Balances with banks and other financial institutions		51,948	4,081	446	—	96	56,571
Placements with banks and other financial institutions		107,395	114,106	18,085	—	685	240,271
Financial assets held under resale agreements		40,040	2,171	—	—	59	42,270
Loans and advances to customers	(i)	2,131,563	644,953	269,716	60,395	23,378	3,130,005
Financial investment		423,192	524,389	942,785	245,163	43,233	2,178,762
Long-term receivables		110,202	—	—	—	—	110,202
Other assets		—	—	—	—	206,343	206,343
Total assets		3,234,365	1,289,700	1,231,032	305,558	280,003	6,340,658
Liabilities:							
Borrowings from central bank		156,094	73,409	—	—	5,557	235,060
Deposits and placements from banks and other financial institutions		836,586	269,032	2,000	—	5,570	1,113,188
Borrowings from banks and other financial institutions		40,135	57,961	18,646	14,945	912	132,599
Financial assets sold under repurchase agreements		74,664	6,420	—	—	271	81,355
Deposits from customers		2,442,286	718,360	266,834	35	29,849	3,457,364
Debt securities issued		237,899	280,697	82,118	113,920	4,689	719,323
Lease liabilities		—	—	—	—	10,143	10,143
Other liabilities		196	—	—	20	102,738	102,954
Total liabilities		3,787,860	1,405,879	369,598	128,920	159,729	5,851,986
Interest rate gap		(553,495)	(116,179)	861,434	176,638	120,274	488,672

4.3 Market risk (continued)

(3) Interest rate risk (continued)

		31 December 2018					
	Note	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank		382,297	—	—	—	6,984	389,281
Balances with banks and other financial institutions		44,938	6,573	643	—	—	52,154
Placements with banks and other financial institutions		65,678	156,307	24,540	—	—	246,525
Financial assets held under resale agreements		37,862	1,328	—	—	—	39,190
Loans and advances to customers	(i)	2,371,409	346,628	228,890	61,345	—	3,008,272
Financial investment		312,315	553,118	874,195	223,570	6,819	1,970,017
Long-term receivables		110,824	—	—	—	—	110,824
Other assets		647	1,254	—	—	176,658	178,559
Total assets		3,325,970	1,065,208	1,128,268	284,915	190,461	5,994,822
Liabilities:							
Borrowings from central bank		35,557	268,766	—	—	—	304,323
Deposits and placements from banks and other financial institutions		831,636	256,795	3,429	—	—	1,091,860
Borrowings from banks and other financial institutions		38,311	52,682	17,757	16,293	—	125,043
Financial assets sold under repurchase agreements		86,388	1,522	1,777	—	—	89,687
Deposits from customers		2,374,619	645,563	174,094	165	—	3,194,441
Debt securities issued		201,846	258,626	116,220	97,831	—	674,523
Other liabilities		967	—	—	20	82,957	83,944
Total liabilities		3,569,324	1,483,954	313,277	114,309	82,957	5,563,821
Interest rate gap		(243,354)	(418,746)	814,991	170,606	107,504	431,001

(i) For loans and advances to customers of the Group, the “Less than 3 months” category includes overdue amounts (net of allowance for impairment losses) of RMB32,750 million as at 30 June 2019 (31 December 2018: RMB42,161 million).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

(3) Interest rate risk (continued)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	30 June 2019	31 December 2018
	(Loss)/gain	(Loss)/gain
Up 100 bps parallel shift in yield curves	**(3,959)**	(2,775)
Down 100 bps parallel shift in yield curves	**3,959**	2,775

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;

b. the impact of interest rate fluctuations on customers' behaviour;

c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;

d. the impact of interest rate fluctuations on market prices;

e. the impact of interest rate fluctuations on off-balance sheet products;

f. the impact of interest rate fluctuations on fair value of financial instruments;

g. other variables (including foreign exchange rate); and

h. other risk management measures in the Group.

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

4.4 Liquidity risk (continued)

During the reporting period, the Bank was required to maintain 10% of the total RMB denominated deposits and 5% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

— To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

— To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios and net stable funding ratios;

— To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

— To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk (continued)

(2) Maturity analysis

The following tables analyse the Group's assets and liabilities based on remaining periods to repayment as at the end of the reporting period.

	Note	30 June 2019							
		Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank	(i)	324,664	51,426	—	144	—	—	—	376,234
Balances with banks and other financial institutions		—	47,634	1,992	2,331	4,168	446	—	56,571
Placements with banks and other financial institutions		—	—	36,334	71,510	114,342	18,085	—	240,271
Financial assets held under resale agreements		—	—	39,435	648	2,187	—	—	42,270
Loans and advances to customers	(ii)	24,115	3,951	509,925	219,152	867,794	833,735	671,333	3,130,005
Financial investments									
— financial assets at fair value through profit or loss		107,703	—	29,656	74,750	190,976	65,197	8,786	477,068
— Financial assets at fair value through other comprehensive income		1,734	—	28,248	42,607	112,553	259,502	53,418	498,062
— Financial assets measured at amortised cost		6,790	494	30,659	85,606	249,400	644,334	186,349	1,203,632
Long-term receivables		3,098	1,358	4,520	5,624	30,174	52,858	12,570	110,202
Other assets		114,340	22,838	13,669	8,498	33,318	12,453	1,227	206,343
Total assets		582,444	127,701	694,438	510,870	1,604,912	1,886,610	933,683	6,340,658
Liabilities:									
Borrowings from central bank		—	—	28,414	132,141	74,505	—	—	235,060
Deposits and placements from banks and other financial institutions		—	207,117	282,059	351,473	270,391	2,148	—	1,113,188
Borrowings from banks and other financial institutions		—	—	17,838	22,749	58,249	18,794	14,969	132,599
Financial assets sold under repurchase agreements		—	—	72,700	2,183	6,472	—	—	81,355
Deposits from customers		—	1,274,788	817,200	354,097	728,774	282,471	34	3,457,364
Debt securities issued		—	—	56,360	182,258	284,688	82,060	113,957	719,323
Lease liabilities		—	—	274	520	2,007	6,488	854	10,143
Other liabilities		2,164	25,210	16,495	19,959	30,894	7,818	414	102,954
Total liabilities		2,164	1,507,115	1,291,340	1,065,380	1,455,980	399,779	130,228	5,851,986
Net position		580,280	(1,379,414)	(596,902)	(554,510)	148,932	1,486,831	803,455	488,672
Notional amount of derivatives		—	—	664,712	773,955	1,404,853	704,713	6,035	3,554,268

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

		31 December 2018							
	Note	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Assets:									
Cash and balances with central bank	(i)	336,665	52,616	—	—	—	—	—	389,281
Balances with banks and other financial institutions		—	37,969	3,054	3,915	6,573	643	—	52,154
Placements with banks and other financial institutions		—	—	43,427	22,251	156,307	24,540	—	246,525
Financial assets held under resale agreements		—	—	36,962	900	1,328	—	—	39,190
Loans and advances to customers	(ii)	35,418	7,464	524,849	216,902	904,474	794,671	524,494	3,008,272
Financial investments									
— financial assets at fair value through profit or loss		63,049	—	28,075	41,189	192,414	52,024	4,342	381,093
— Financial assets at fair value through other comprehensive income		1,193	—	15,538	24,505	126,409	235,707	58,341	461,693
— Financial assets measured at amortised cost		7,648	761	40,374	47,514	246,004	621,287	163,643	1,127,231
Long-term receivables		3,522	59	5,199	5,274	26,333	58,329	12,108	110,824
Other assets		39,458	11,945	13,854	7,881	35,683	31,313	38,425	178,559
Total assets		486,953	110,814	711,332	370,331	1,695,525	1,818,514	801,353	5,994,822
Liabilities:									
Borrowings from central bank		—	—	9,130	26,427	268,766	—	—	304,323
Deposits and placements from banks and other financial institutions		—	176,492	292,203	362,941	256,795	3,429	—	1,091,860
Borrowings from banks and other financial institutions		—	—	17,289	21,022	52,682	17,757	16,293	125,043
Financial assets sold under repurchase agreements		—	—	78,834	7,554	1,522	1,777	—	89,687
Deposits from customers		—	1,326,493	665,344	382,782	645,563	174,094	165	3,194,441
Debt securities issued		—	—	26,207	173,955	258,626	116,220	99,515	674,523
Other liabilities		1,950	13,449	34,751	12,160	16,606	4,633	395	83,944
Total liabilities		1,950	1,516,434	1,123,758	986,841	1,500,560	317,910	116,368	5,563,821
Net position		485,003	(1,405,620)	(412,426)	(616,510)	194,965	1,500,604	684,985	431,001
Notional amount of derivatives		—	—	590,542	669,595	1,675,640	443,834	12,622	3,392,233

(i) For cash and balances with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. For investments, the indefinite period amounts represent the balances being impaired or overdue for more than one month. Equity investments are also reported under indefinite period.

(ii) For loans and advances to customers and long-term receivables, the indefinite period amount represents the balance being impaired or overdue for more than one month. The balance not impaired and overdue within one month is included in "repayable on demand".

4.4 Liquidity risk (continued)

(3) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities

The following tables analyse the Group's contractual undiscounted cash flows of non-derivative financial assets and liabilities as at the end of the reporting period. The Group manages inherent liquidity risk based on its estimation of expected future cash flows.

	30 June 2019					
	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years and indefinite**	**Total**
Financial assets:						
Cash and balances with central bank	**51,727**	**151**	**—**	**—**	**329,912**	**381,790**
Balances with banks and other financial institutions	**49,628**	**2,340**	**4,238**	**446**	**—**	**56,652**
Placements with banks and other financial institutions	**36,336**	**73,422**	**117,472**	**18,497**	**—**	**245,727**
Financial assets held under resale agreements	**39,463**	**688**	**2,339**	**—**	**—**	**42,490**
Loans and advances to customers	**528,398**	**235,181**	**958,929**	**1,022,703**	**1,113,121**	**3,858,332**
Financial investments	**92,667**	**209,375**	**592,597**	**1,005,790**	**388,396**	**2,288,825**
Long-term receivables	**6,663**	**6,198**	**33,690**	**62,997**	**23,032**	**132,580**
Other financial assets	**22,220**	**2,230**	**8,745**	**3,268**	**30,335**	**66,798**
Total financial assets (expected maturity date)	**827,102**	**529,585**	**1,718,010**	**2,113,701**	**1,884,796**	**7,073,194**
Financial liabilities:						
Borrowings from central bank	**28,509**	**132,775**	**75,786**	**—**	**—**	**237,070**
Deposits and placements from banks and other financial institutions	**489,235**	**353,008**	**272,620**	**2,377**	**—**	**1,117,240**
Borrowings from banks and other financial institutions	**17,961**	**23,220**	**60,317**	**22,642**	**16,637**	**140,777**
Financial assets sold under repurchase agreements	**72,709**	**2,188**	**6,565**	**—**	**—**	**81,462**
Deposits from customers	**2,091,992**	**354,120**	**729,854**	**293,169**	**39**	**3,469,174**
Debt securities issued	**56,492**	**184,239**	**293,482**	**109,139**	**132,146**	**775,498**
Lease liabilities	**307**	**582**	**2,247**	**7,262**	**956**	**11,354**
Other financial liabilities	**14,491**	**17,784**	**24,297**	**7,005**	**1,057**	**64,634**
Total financial liabilities (contractual maturity date)	**2,771,696**	**1,067,916**	**1,465,168**	**441,594**	**150,835**	**5,897,209**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk (continued)

(3) Analysis on contractual undiscounted cash flows of non-derivative financial assets and liabilities (continued)

	31 December 2018					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	Total
Financial assets:						
Cash and balances with central bank	52,924	—	—	—	341,952	394,876
Balances with banks and other financial institutions	40,895	3,934	6,625	640	—	52,094
Placements with banks and other financial institutions	43,503	22,438	160,688	26,321	—	252,950
Financial assets held under resale agreements	36,994	901	1,328	—	—	39,223
Loans and advances to customers	594,779	243,854	990,856	1,017,025	877,453	3,723,967
Financial investments	90,021	124,043	612,667	1,015,377	327,245	2,169,353
Long-term receivables	5,831	5,938	29,876	69,709	22,219	133,573
Other financial assets	25,812	7,891	35,733	31,313	77,884	178,633
Total financial assets (expected maturity date)	890,759	408,999	1,837,773	2,160,385	1,646,753	6,944,669
Financial liabilities:						
Borrowings from central bank	9,141	26,566	274,260	—	—	309,967
Deposits and placements from banks and other financial institutions	466,060	365,093	260,498	3,736	—	1,095,387
Borrowings from banks and other financial institutions	17,341	21,209	54,085	19,478	21,601	133,714
Financial assets sold under repurchase agreements	78,879	7,588	1,540	1,777	—	89,784
Deposits from customers	1,991,206	384,774	657,669	189,469	169	3,223,287
Debt securities issued	26,240	175,050	264,013	126,345	134,363	726,011
Other financial liabilities	20,481	4,071	5,901	3,677	661	34,791
Total financial liabilities (contractual maturity date)	2,609,348	984,351	1,517,966	344,482	156,794	5,612,941

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include:

Interest rate derivatives	Interest rate swaps;
Credit derivatives	Credit default swaps.

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

	30 June 2019					
	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Interest rate derivatives	**(33)**	**(61)**	**(224)**	**(809)**	**(91)**	**(1,218)**
Credit derivatives	**—**	**15**	**—**	**6**	**—**	**21**
Total	**(33)**	**(46)**	**(224)**	**(803)**	**(91)**	**(1,197)**

	31 December 2018					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(25)	(53)	(224)	(797)	(26)	(1,125)
Credit derivatives	—	—	—	1	—	1
Total	(25)	(53)	(224)	(796)	(26)	(1,124)

(b) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

Foreign exchange derivatives	Foreign exchange forwards, currency swaps and currency options
Precious metal derivatives	Precious metal forwards, swaps and options
Other derivatives	Futures and equity derivatives

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives (continued)

(b) Derivatives settled on a gross basis (continued)

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

	30 June 2019					
	Less than 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Foreign exchange derivatives						
— Cash outflow	**(443,505)**	**(419,589)**	**(690,925)**	**(35,255)**	**—**	**(1,589,274)**
— Cash inflow	**443,385**	**398,138**	**658,630**	**35,522**	**—**	**1,535,675**
Precious metal derivatives						
— Cash outflow	**(7,849)**	**(27,773)**	**(100,927)**	**(3,382)**	**—**	**(139,931)**
— Cash inflow	**8,198**	**27,630**	**108,363**	**3,382**	**—**	**147,573**
Total cash outflow	**(451,354)**	**(447,362)**	**(791,852)**	**(38,637)**	**—**	**(1,729,205)**
Total cash inflow	**451,583**	**425,768**	**766,993**	**38,904**	**—**	**1,683,248**

	31 December 2018					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
— Cash outflow	(428,247)	(386,427)	(804,983)	(10,788)	—	(1,630,445)
— Cash inflow	427,853	386,064	804,283	10,787	—	1,628,987
Precious metal derivatives						
— Cash outflow	(34,454)	(21,620)	(136,492)	—	—	(192,566)
— Cash inflow	34,598	20,177	80,989	—	—	135,764
Others						
— Cash outflow	—	—	(3,639)	—	—	(3,639)
— Cash inflow	—	—	3,639	—	—	3,639
Total cash outflow	(462,701)	(408,047)	(945,114)	(10,788)	—	(1,826,650)
Total cash inflow	462,451	406,241	888,911	10,787	—	1,768,390

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Liquidity risk (continued)

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	30 June 2019			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Bank acceptances	**560,453**	**—**	**—**	**560,453**
Letters of credit	**133,399**	**144**	**—**	**133,543**
Guarantees	**85,283**	**47,087**	**3,018**	**135,388**
Unused credit card commitments	**368,406**	**—**	**—**	**368,406**
Capital commitments	**716**	**353**	**—**	**1,069**
Irrevocable loan commitments	**267**	**2,069**	**1,244**	**3,580**
Finance lease commitments	**437**	**1,137**	**—**	**1,574**
Total	**1,148,961**	**50,790**	**4,262**	**1,204,013**

	31 December 2018			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	518,408	—	—	518,408
Letters of credit	113,092	115	—	113,207
Guarantees	75,761	58,240	2,863	136,864
Unused credit card commitments	231,054	—	—	231,054
Capital commitments	6,548	11,852	—	18,400
Operating lease commitments	3,245	9,516	1,388	14,149
Irrevocable loan commitments	726	1,914	1,348	3,988
Finance lease commitments	2,056	1,137	—	3,193
Total	950,890	82,774	5,599	1,039,263

4.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

The Bank devoted to promoting the implementation of the three major operational risk management tools in the Bank and the establishment of operational risk management information system, according to the regulatory requirements of operational risk. The Bank has carried out Risk Control Self Assessment (RCSA), established key risk indicator monitoring system and internal loss issue management system regarding operational risk. Besides, the Bank conducted operational risk cost measurement and enhanced the outsourcing risk management, and promoted the establishment of business continuity management. Furthermore, the Bank focused on investigation of the risk on business field systematically.

4.6 Country risk

The Group is exposed to country risk which mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of polices to accrue country risk reserve.

4.7 Capital management

In managing capital, the Group aims to ensure compliance with regulatory requirements, continuously improve its ability to mitigate risks and enhance the return on its capital. On this basis, the Group has set its capital adequacy objectives, and taken a range of measures, including budgeting/planning and performance measurement and limit management, to ensure the realisation of management objectives. This helps meet the requirements for regulatory compliance, credit rating, risk premium and shareholder return; promote the Group's risk management; ensure an orderly expansion of asset bases; and enhance business structures and models.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank quarterly.

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations promulgated by the CBIRC.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with *The Capital Rules for Commercial Banks (Provisional)*. For systemically important banks, each bank is required to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio not below the minimum of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.7 Capital management (continued)

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the contingent nature of any potential losses. The counterparty credit risk-weighted assets for OTC derivatives are the summation of default risk-weighted assets and credit value adjustment ("CVA"). Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The Group computes the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises ("ASBE"). During the period, the Group has complied in full with all its externally imposed capital requirements.

4.7 Capital management (continued)

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with The Capital Rules for Commercial Banks (Provisional) and relevant requirements promulgated by the CBIRC as below:

	30 June 2019	31 December 2018
Core tier-one capital adequacy ratio	**8.90%**	8.93%
Tier-one capital adequacy ratio	**9.95%**	9.16%
Capital adequacy ratio	**12.81%**	11.75%
Components of capital base		
Core tier-one capital:		
Share capital	**43,782**	43,782
Valid portion of capital reserve	**57,450**	57,470
Surplus reserve	**39,911**	39,911
General reserve	**74,396**	74,370
Retained earnings	**209,622**	193,131
Valid portion of non-controlling interests	**7,146**	6,997
Others	**2,288**	1,518
Total core tier-one capital	**434,595**	417,179
Core tier-one capital deductions	**(1,387)**	(1,453)
Net core tier-one capital	**433,208**	415,726
Other tier-one capital	**50,836**	10,824
Net tier-one capital	**484,044**	426,550
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	**113,919**	98,900
Surplus provision for loan impairment	**23,524**	19,966
Valid portion of non-controlling interests	**1,901**	1,865
Net tier-two capital	**139,344**	120,731
Net capital base	**623,388**	547,281
Credit risk-weighted assets	**4,484,778**	4,281,596
Market risk-weighted assets	**101,588**	95,209
Operational risk-weighted assets	**279,481**	279,481
Total risk-weighted assets	**4,865,847**	4,656,286

5 SEGMENT INFORMATION

The Group conducts business activities in key business lines and geographical regions. From 1st January 2019, aiming to facilitate business development and strengthen internal cooperation, the Group established a "clients oriented" managing and accounting system segmented by different client groups. The business segments are reorganised as corporate banking, retail banking and others to manage, report and evaluate the business based on the actual client groups of each branch. The geographical segments are reorganised as eight segments including Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, North-eastern Region, Central Region, Western Region, and Overseas and Subsidiaries to manage, report and evaluate the business according to the economic zone of each institution.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

(a) Corporate banking — Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.

(b) Retail banking — Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.

(c) Others — Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

5 SEGMENT INFORMATION (CONTINUED)

5.1 Business segments (continued)

Business segment as at 30 June 2019 and for the six months ended 30 June 2019 are shown in accordance with new segment system, comparative figures were also restated in accordance with new segment system.

	Six months ended 30 June 2019			
	Corporate banking	Retail banking	Others	Total
Operating income	**50,013**	**32,269**	**4,801**	**87,083**
Net interest income	**30,138**	**12,399**	**2,986**	**45,523**
Include: inter-segment net interest income/(expense)	**4,561**	**(9,276)**	**4,715**	**—**
Net fee and commission income	**7,866**	**19,622**	**(206)**	**27,282**
Net other income	**12,009**	**248**	**2,021**	**14,278**
Operating expenses	**(6,156)**	**(8,354)**	**(4,714)**	**(19,224)**
Credit impairment losses	**(16,905)**	**(11,509)**	**(899)**	**(29,313)**
Other impairment losses	**(120)**	**(2)**	**(1)**	**(123)**
Profit before income tax	**26,832**	**12,404**	**(813)**	**38,423**
Depreciation and amortisation	**1,916**	**1,236**	**471**	**3,623**
Capital expenditure	**521**	**336**	**1,041**	**1,898**

	As at 30 June 2019			
	Corporate banking	Retail banking	Others	Total
Segment assets	**4,117,194**	**1,303,581**	**887,402**	**6,308,177**
Include: Investments in associates				**3**
Deferred income tax assets				**32,481**
Total assets				**6,340,658**
Segment liabilities	**(4,311,902)**	**(756,803)**	**(783,158)**	**(5,851,863)**
Deferred income tax liabilities				**(123)**
Total liabilities				**(5,851,986)**
Credit commitments	**832,964**	**368,406**	**1,574**	**1,202,944**

5 SEGMENT INFORMATION (CONTINUED)

5.1 Business segments (continued)

	Six months ended 30 June 2018			
	Corporate banking	Retail banking	Others	Total
Operating income	44,134	26,416	3,737	74,287
Net interest income	21,608	10,448	1,818	33,874
Include: inter-segment net interest income/(expense)	9,226	(12,091)	2,865	—
Net fee and commission income	8,369	15,112	846	24,327
Net other income	14,157	856	1,073	16,086
Operating expenses	(5,534)	(8,211)	(5,125)	(18,870)
Credit impairment losses	(10,325)	(8,617)	(635)	(19,577)
Other impairment losses	38	—	8	46
Profit before income tax	28,313	9,588	(2,015)	35,886
Depreciation and amortisation	1,223	732	524	2,479
Capital expenditure	634	379	989	2,002

	As at 31 December 2018			
	Corporate banking	Retail banking	Others	Total
Segment assets	3,846,251	1,241,264	876,616	5,964,131
Deferred income tax assets				30,691
Total assets				5,994,822
Segment liabilities	(4,109,720)	(649,427)	(804,551)	(5,563,698)
Deferred income tax liabilities				(123)
Total liabilities				(5,563,821)
Credit commitments	772,467	231,054	3,193	1,006,714

5 SEGMENT INFORMATION (CONTINUED)

5.2 Geographical segments

The Group mainly operates in Mainland China, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also includes several subsidiaries in Mainland China and has one branch and subsidiary in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
North-eastern Region	Including branches in Liaoning Province, Jinlin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

5 SEGMENT INFORMATION (CONTINUED)

5.2 Geographical segments (continued)

Geographical segment as at 30 June 2019 and for the six months ended 30 June 2019 are shown in accordance with new segment system, comparative figures were also restated in accordance with new segment system.

	Six months ended 30 June 2019		**As at 30 June 2019**
	Operating income	**Profit before income tax**	**Segment assets (i)**
Head Office	**35,823**	**16,629**	**3,224,165**
Yangtze River Delta	**12,511**	**8,613**	**1,065,844**
Pearl River Delta	**9,005**	**5,336**	**540,824**
Bohai Rim	**10,900**	**3,932**	**1,101,862**
North-eastern Region	**1,171**	**(1,368)**	**124,771**
Central Region	**7,012**	**(84)**	**450,508**
Western Region	**7,216**	**3,414**	**473,677**
Overseas and subsidiaries	**3,445**	**1,951**	**353,391**
Inter-segment elimination	**—**	**—**	**(1,026,865)**
Total	**87,083**	**38,423**	**6,308,177**

	Six months ended 30 June 2018		As at 30 June 2019
	Operating income	Profit before income tax	Segment assets (i)
Head Office	25,127	11,326	3,007,594
Yangtze River Delta	11,857	7,803	987,063
Pearl River Delta	7,976	4,541	531,736
Bohai Rim	10,672	4,491	1,002,122
North-eastern Region	1,333	(1,382)	118,329
Central Region	7,077	1,976	425,906
Western Region	7,056	5,559	445,105
Overseas and subsidiaries	3,189	1,572	352,485
Inter-segment elimination	—	—	(906,209)
Total	74,287	35,886	5,964,131

(i) Segment assets do not include deferred tax assets.

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 Net interest income

	Six months ended 30 June	
	2019	2018
Interest income arising from:		
Loans and advances to customers	**78,039**	70,849
Including: Corporate loans and advances	**45,947**	41,398
Personal loans and advances	**29,162**	26,933
Discounted bills	**2,930**	2,518
Financial investments	**31,925**	29,565
Including: Financial assets measured at amortised cost	**22,765**	22,920
Financial assets at fair value through other comprehensive income	**9,160**	6,645
Placements with banks and other financial institutions	**6,074**	4,339
Long-term receivables	**3,190**	3,429
Balances with central bank	**2,564**	2,931
Financial assets held under resale agreements	**754**	2,295
Balances with banks and other financial institutions	**322**	718
Subtotal	**122,868**	114,126
Interest expense arising from:		
Deposits from customers	**(39,481)**	(29,343)
Deposits and placements from banks and other financial institutions	**(16,757)**	(27,831)
Debt securities issued	**(12,472)**	(12,168)
Borrowings from central bank	**(4,361)**	(5,448)
Borrowings from banks and other financial institutions and others	**(2,668)**	(3,477)
Financial assets sold under repurchase agreements	**(1,363)**	(1,985)
Lease liabilities	**(243)**	N/A
Subtotal	**(77,345)**	(80,252)
Net interest income	**45,523**	33,874
Of which:		
Interest income from impaired financial assets	**579**	442

6.2 Net fee and commission income

	Six months ended 30 June	
	2019	2018
Fee and commission income		
Bank card services	**17,071**	12,869
Agency services	**4,543**	5,005
Trust and other fiduciary services	**3,406**	4,166
Settlement services	**2,110**	1,755
Credit commitments	**1,554**	1,526
Others	**751**	870
Subtotal	**29,435**	26,191
Fee and commission expense	**(2,153)**	(1,864)
Net fee and commission income	**27,282**	24,327

6.3 Net trading gain

	Six months ended 30 June	
	2019	2018
Gain on interest rate instruments	**11,243**	14,612
Loss on precious metals and other products	**(1,835)**	(2,582)
Gain on exchange rate instruments	**2,034**	2,049
Total	**11,442**	14,079

6.4 Net gain arising from disposals of securities and discounted bills

	Six months ended 30 June	
	2019	2018
Net gain arising from disposals of securities	**1,824**	773
Net (loss)/gain arising from disposals of discounted bills	**(23)**	168
Total	**1,801**	941

Gain or loss arising from disposals of discounted bills represents the difference between the discounted interest income unamortised and rediscounted interest cost.

6.5 Operating expenses

	Six months ended 30 June	
	2019	2018
Staff costs, including directors' emoluments		
— Salaries, bonuses, allowances and subsidies payables	**9,050**	8,150
— Post-employment benefits-defined contribution plans	**1,235**	1,093
Depreciation and amortisation	**2,734**	1,550
Lease and property management expenses	**573**	2,003
Tax and surcharges	**835**	781
Office expenses	**474**	483
Business expenses and others	**4,323**	4,810
Total	**19,224**	18,870

Auditor's remuneration included in the operating expenses of the Group for the six months ended 30 June 2019 was RMB4 million (six months ended 30 June 2018: RMB5 million).

6.6 Credit impairment losses

	Six months ended 30 June	
	2019	2018
Loans and advances to customers	**28,716**	19,177
Financial investments		
— Financial assets measured at amortised cost	**401**	492
— Financial assets at fair value through other comprehensive income	**95**	(90)
Long-term receivables	**295**	292
Credit loss of off-balance-sheet assets	**(116)**	(309)
Others	**(78)**	15
Total	**29,313**	19,577

6.7 Income tax expense

	Six months ended 30 June	
	2019	2018
Current tax for the period	**8,376**	3,829
Adjustment for prior periods	**132**	(153)
Subtotal	**8,508**	3,676
Changes in deferred tax (Note 6.19)	**(2,053)**	2,357
Total	**6,455**	6,033

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

		Six months ended 30 June	
	Note	**2019**	2018
Profit before income tax		**38,423**	35,886
Income tax at the tax rate of 25%		**9,606**	8,972
Effect of non-taxable income	(i)	**(3,384)**	(3,142)
Effect of non-deductible expenses		**107**	300
Others		**126**	(97)
Income tax expense		**6,455**	6,033

(i) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

6.8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue. There is no dilutive potential shares for the six months ended 30 June 2019 and for the six months ended 30 June 2018.

	Six months ended 30 June	
	2019	2018
Net profit attributable to ordinary equity shareholders of the Bank	**31,623**	29,618
Weighted average number of ordinary shares in issue (in millions)	**43,782**	43,782
Basic/Diluted earnings per share (in RMB)	**0.72**	0.68

6.9 Cash and balances with central bank

	30 June 2019	31 December 2018
Cash	**6,065**	6,984
Balances with central bank		
Statutory deposit reserves	**323,036**	334,453
Surplus deposit reserves	**45,361**	45,814
Fiscal deposits and others	**1,628**	1,877
Subtotal	**370,025**	382,144
Interest accrued	**144**	153
Total	**376,234**	389,281

The Group places statutory deposit reserves with the PBOC or local regulator. The statutory deposit reserves are not available for use in the Group's daily business.

As at 30 June 2019 the statutory deposit reserve rate applicable to domestic branches of the Bank for RMB deposits is 10.0% (31 December 2018: 11.0%) and the reserve rate for foreign currency deposits is 5.0% (31 December 2018: 5.0%). The amount of statutory deposit reserves of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus deposit reserves maintained with the PBOC is for the purposes of clearing interbank transactions.

6.10 Balances with banks and other financial institutions

	30 June 2019	31 December 2018
Mainland China		
— Banks	**20,686**	25,564
— Other financial institutions	**16,099**	7,442
Subtotal	**36,785**	33,006
Overseas		
— Banks	**15,276**	18,516
— Other financial institutions	**4,533**	533
Subtotal	**19,809**	19,049
Interest accrued	**96**	203
Less: allowance for impairment losses	**(119)**	(104)
Total	**56,571**	52,154

For the six months ended 30 June 2019 and for the year ended 31 December 2018, the transfer of book value and the impairment loss allowances of balances with banks and other financial institutions between stages are insignificant.

6.11 Placements with banks and other financial institutions

	30 June 2019	31 December 2018
Mainland China		
Banks	**12,428**	16,041
Other financial institutions	**194,738**	188,590
Subtotal	**207,166**	204,631
Overseas		
Banks	**29,981**	39,357
Other financial institutions	**2,644**	2,105
Subtotal	**32,625**	41,462
Interest accrued	**685**	635
Less: allowance for impairment losses	**(205)**	(203)
Total	**240,271**	246,525

For the six months ended 30 June 2019 and for the year ended 31 December 2018, the transfer of book value and the impairment loss allowances of placements with banks and other financial institutions between stages are insignificant.

6.12 Derivatives

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

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

6.12 Derivatives (continued)

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	30 June 2019		
	Notional amount	**Fair value**	
		Assets	**Liabilities**
Foreign exchange derivatives			
— Currency swaps	**1,212,982**	**5,407**	**(5,774)**
— Currency options	**222,031**	**1,038**	**(748)**
— Currency forwards	**73,378**	**485**	**(429)**
Subtotal		**6,930**	**(6,951)**
Interest rate derivatives			
— Interest rate swaps	**1,903,022**	**1,360**	**(978)**
Precious metal derivatives	**140,883**	**17,888**	**(2,272)**
Credit derivatives	**1,382**	**5**	**—**
Others	**590**	**23**	**(20)**
Total		**26,206**	**(10,221)**

	31 December 2018		
		Fair value	
	Notional amount	Assets	Liabilities
Foreign exchange derivatives			
— Currency swaps	1,406,375	15,092	(13,847)
— Currency options	166,808	1,171	(1,139)
— Currency forwards	66,739	343	(614)
Subtotal		16,606	(15,600)
Interest rate derivatives			
— Interest rate swaps	1,620,687	1,807	(461)
Precious metal derivatives	122,197	14,080	(1,934)
Commodity options	3,700	596	(3)
Extension options	5,000	—	—
Credit derivatives	137	3	—
Others	590	20	(2)
Total		33,112	(18,000)

6.12 Derivatives (continued)

		30 June 2019		
		Notional amount	**Fair value**	
			Assets	**Liabilities**
Cash flow hedges				
— Currency swap contracts	(1)	**5,159**	**56**	**(17)**
Fair value hedges				
— Interest Rate swap	(2)	**20,582**	**1**	**(189)**
Total			**57**	**(206)**

		30 June 2018		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
— Currency swap contracts	(1)	6,478	60	(7)

(1) The Group uses foreign exchange swaps to hedge against exposures to cash flow variability primarily from foreign exchange risks of foreign bonds and foreign loans. For the six months ended 30 June 2019 and for the six months ended 30 June 2018, the fair value changes of cash flow hedging recognised in other comprehensive income accumulative profit or loss were not significant.

(2) The Group uses Interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the six months ended 30 June 2019, there were no significant ineffectiveness to be recorded from the fair value hedges.

Credit risk weighted amount

	30 June 2019	31 December 2018
Precious metal contracts	**19,005**	14,588
Exchange rate contracts	**11,162**	8,274
Interest rate contracts	**2,772**	1,633
Commodity option contracts	**—**	966
Other derivative contracts	**95**	76
Total	**33,034**	25,537

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract.

The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

6.13 Financial assets held under resale agreements

	30 June 2019	31 December 2018
Bonds	**36,493**	33,239
Discounted bills	**2,497**	2,110
Others*	**3,226**	3,595
Gross balance	**42,216**	38,944
Interest accrued	**59**	251
Less: allowance for impairment losses	**(5)**	(5)
Net balance	**42,270**	39,190

* *Others are financial assets held under resale agreements of which the underlying assets were finance lease receivable.*

For the six months ended 30 June 2019 and for the year ended 31 December 2018, the transfer of book value and the impairment loss allowances of financial assets held under resale agreements between stages are insignificant.

6.14 Loans and advances to customers

	30 June 2019	31 December 2018
Measured at amortised cost:		
Corporate loans and advances		
— Corporate loans	**1,764,242**	1,727,890
Personal loans and advances		
— Micro lending *	**434,607**	415,564
— Residential mortgage	**351,747**	335,502
— Credit cards	**417,040**	393,249
— Others	**88,172**	86,230
Subtotal	**1,291,566**	1,230,545
Less: allowance for impairment losses	**(77,706)**	(71,216)
Subtotal	**2,978,102**	2,887,219
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
— Corporate loans	**1,763**	1,788
— Discounted bills	**126,390**	96,523
Subtotal	**128,153**	98,311
Interest accrued	**23,750**	22,742
Total	**3,130,005**	3,008,272

* *Micro lending is a loan product offered to the small micro enterprise owners and proprietors.*

6.14 Loans and advances to customers (continued)

(1) Loans and advances to customers analysed by types of collateral

	30 June 2019		31 December 2018	
	Amount	**(%)**	Amount	(%)
Unsecured loans	**705,838**	**22.17**	725,263	23.72
Guaranteed loans	**593,897**	**18.65**	627,501	20.53
Loans secured by				
— tangible assets other than monetary assets	**1,443,059**	**45.32**	1,307,324	42.77
— monetary assets	**441,167**	**13.86**	396,658	12.98
Total	**3,183,961**	**100.00**	3,056,746	100.00

(2) Overdue loans analysed by overdue period

	30 June 2019				
	Less than 3 months	**3 to 12 months**	**1 to 3 years**	**More than 3 years**	**Total**
Unsecured loans	**8,267**	**9,820**	**1,313**	**1,114**	**20,514**
Guaranteed loans	**6,710**	**11,792**	**5,467**	**3,213**	**27,182**
Loans secured by					
Tangible assets other than monetary assets	**5,281**	**6,977**	**6,796**	**2,695**	**21,749**
Monetary assets	**2,148**	**2,142**	**1,181**	**625**	**6,096**
Total	**22,406**	**30,731**	**14,757**	**7,647**	**75,541**
% of total loans and advances	**0.70**	**0.97**	**0.46**	**0.24**	**2.37**

	31 December 2018				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	6,393	7,009	3,888	170	17,460
Guaranteed loans	12,285	12,111	7,522	2,732	34,650
Loans secured by					
Tangible assets other than monetary assets	6,937	7,121	5,565	2,720	22,343
Monetary assets	1,454	771	1,912	539	4,676
Total	27,069	27,012	18,887	6,161	79,129
% of total loans and advances	0.89	0.88	0.62	0.20	2.59

Overdue loans represent loans of which the principal or interest are overdue for 1 day or more.

6.14 Loans and advances to customers (continued)

(3) Changes in allowance for impairment losses

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

	Six months ended 30 June 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**(18,914)**	**(21,229)**	**(31,073)**	**(71,216)**
Transfer:				
to stage 1	**(1,192)**	**840**	**352**	**—**
to stage 2	**883**	**(1,165)**	**282**	**—**
to stage 3	**139**	**3,871**	**(4,010)**	**—**
Net charge	**(3,246)**	**(2,670)**	**(22,325)**	**(28,241)**
Write-offs	**—**	**—**	**23,119**	**23,119**
Recoveries of amounts previously written off	**—**	**—**	**(1,940)**	**(1,940)**
Accreted interest on impaired loans	**—**	**—**	**579**	**579**
Others	**(2)**	**(2)**	**(3)**	**(7)**
Balance as at 30 June 2019	**(22,332)**	**(20,355)**	**(35,019)**	**(77,706)**

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(23,398)	(25,111)	(36,641)	(85,150)
Transfer:				
to stage 1	(3,313)	3,110	203	—
to stage 2	1,036	(1,381)	345	—
to stage 3	646	2,502	(3,148)	—
Net reversal/(charge)	6,115	(349)	(49,045)	(43,279)
Write-offs	—	—	58,421	58,421
Recoveries of amounts previously written off	—	—	(1,914)	(1,914)
Accreted interest on impaired loans	—	—	947	947
Exchange difference and other movements	—	—	(241)	(241)
Balance as at 31 December 2018	(18,914)	(21,229)	(31,073)	(71,216)

6.14 Loans and advances to customers (continued)

(3) Changes in allowance for impairment losses (continued)

(b) Changes in allowance for impairment losses are as following:

	Six months ended 30 June 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**(449)**	**—**	**(543)**	**(992)**
Net charge	**(18)**	**(99)**	**(358)**	**(475)**
Balance as at 30 June 2019	**(467)**	**(99)**	**(901)**	**(1,467)**

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(295)	—	(365)	(660)
Net charge	(154)	—	(178)	(332)
Balance as at 31 December 2018	(449)	—	(543)	(992)

6.15 Financial investments

	Note	**30 June 2019**	31 December 2018
Financial assets at fair value through profit or loss	(1)	**477,068**	381,093
Financial assets at fair value through other comprehensive income	(2)	**498,062**	461,693
Financial assets measured at amortised cost	(3)	**1,203,632**	1,127,231
Total		**2,178,762**	1,970,017

6.15 Financial investments (continued)

(1) Financial assets at fair value through profit or loss

	Note	**30 June 2019**	31 December 2018
Held for trading purpose			
Debt securities			
Government		**3,485**	2,163
Policy banks		**9,696**	3,367
Banking and non-banking financial institutions		**16,712**	12,128
Corporates		**92,701**	73,536
Subtotal		**122,594**	91,194
Equity investments		**5,913**	5,422
Investment funds		**55,806**	44,092
Subtotal		**184,313**	140,708
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		**515**	277
Equity investments		**11,316**	8,079
Investment funds		**34,651**	12,767
Asset management plans	(i)	**187,686**	160,391
Wealth management products		**58,587**	58,871
Subtotal		**292,755**	240,385
Total		**477,068**	381,093
Listed		**122,898**	89,415
— listed in Hong Kong		**24,946**	30,557
Unlisted		**354,170**	291,678
Total		**477,068**	381,093

This Interim Financial Information classified debt securities traded on China Domestic Interbank Bond Market as listed bonds.

6.15 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income

	30 June 2019	31 December 2018
Debt securities		
Government	**91,242**	91,878
Policy banks	**43,100**	40,156
Banking and non-banking financial institutions	**209,487**	199,038
Corporates	**147,653**	125,943
Subtotal	**491,482**	457,015
Equity investments and others	**1,547**	625
Interest accrued	**5,033**	4,053
Total	**498,062**	461,693
Listed	**450,424**	412,010
— listed in Hong Kong	**54,754**	46,756
Unlisted	**42,605**	45,630
Interest accrued	**5,033**	4,053
Total	**498,062**	461,693

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. For the six months ended 30 June 2019, dividend income of RMB26 million (RMB9 million for the six months ended 30 June 2018) recognised for such equity investments was included in the profit or loss.

The impact of gain on disposal of other equity investments at fair value through other comprehensive income was not material for the six months ended 30 June 2019. (Six months ended 30 June 2018: Nil).

6.15 Financial investments (continued)

(2) Financial assets at fair value through other comprehensive income (continued)

Changes in allowance for impairment losses

	Six months ended 30 June 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**(1,310)**	**—**	**(197)**	**(1,507)**
Net charge	**(93)**	**—**	**(2)**	**(95)**
Others	**46**	**—**	**—**	**46**
Balance as at 30 June 2019	**(1,357)**	**—**	**(199)**	**(1,556)**

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(675)	—	(72)	(747)
Net charge	(622)	—	(125)	(747)
Others	(13)	—	—	(13)
Balance as at 31 December 2018	(1,310)	—	(197)	(1,507)

As at 30 June 2019, the financial assets at fair value through other comprehensive income included credit-impaired financial assets whose carrying amount was RMB259 million (31 December 2018: RMB225 million), with allowance for impairment losses of RMB199 million (31 December 2018: RMB197 million).

6.15 Financial investments (continued)

(3) Financial assets measured at amortised cost

	Note	**30 June 2019**	31 December 2018
Debt securities			
Government		**707,716**	727,868
Policy banks		**11,705**	14,729
Banking and non-banking financial institutions		**124,470**	97,837
Corporates		**34,134**	17,304
Subtotal		**878,025**	857,738
Asset management plans and trust beneficial rights	(i)	**315,982**	258,444
Interest accrued		**13,088**	14,108
Less: allowance for impairment losses		**(3,463)**	(3,059)
Total		**1,203,632**	1,127,231
Listed		**778,690**	781,552
— listed in Hong Kong		**6,795**	7,659
Unlisted		**415,317**	334,630
Interest accrued		**13,088**	14,108
Less: allowance for impairment losses		**(3,463)**	(3,059)
Total		**1,203,632**	1,127,231

(i) As at 30 June 2019, the underlying assets of asset management plans and trust beneficial rights managed by securities companies primarily include credit assets, interbank assets, discounted bills and others (Note 4.2 (10)).

6.15 Financial investments (continued)

(3) Financial assets measured at amortised cost (continued)

Changes in allowance for impairment losses

	Six months ended 30 June 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**(1,352)**	**(204)**	**(1,503)**	**(3,059)**
Transfer				
to stage 3	**2**	**101**	**(103)**	**—**
Net charge	**(376)**	**(2)**	**(23)**	**(401)**
Others	**(4)**	**2**	**(1)**	**(3)**
Balance as at 30 June 2019	**(1,730)**	**(103)**	**(1,630)**	**(3,463)**

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(1,837)	(50)	(466)	(2,353)
Transfer				
to stage 1	(30)	30	—	—
to stage 2	12	(12)	—	—
to stage 3	15	20	(35)	—
Net reversal/(charge)	477	(192)	(1,760)	(1,475)
Transfer out	16	—	770	786
Others	(5)	—	(12)	(17)
Balance as at 31 December 2018	(1,352)	(204)	(1,503)	(3,059)

6.16 Long-term receivables

	30 June 2019	31 December 2018
Finance lease receivables	**132,580**	133,574
Less: unearned finance lease income	**(18,795)**	(19,105)
Present value of minimum finance lease receivables	**113,785**	114,469
Less: allowance for impairment losses	**(3,583)**	(3,645)
Net balance	**110,202**	110,824

	30 June 2019	31 December 2018
Less than 1 year	**42,727**	38,081
1 year to 2 years	**27,443**	31,278
2 years to 3 years	**15,203**	16,096
3 years to 5 years	**11,591**	12,871
More than 5 years	**12,750**	12,505
Indefinite*	**4,071**	3,638
Total	**113,785**	114,469

* *The indefinite period amount represents the balances being impaired or overdue for more than one month.*

6.16 Long-term receivables (continued)

Changes in allowance for impairment losses of long-term receivables:

	Six months ended 30 June 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**(913)**	**(2,184)**	**(548)**	**(3,645)**
Transfer:				
to stage 2	**3**	**(3)**	**—**	**—**
to stage 3	**—**	**398**	**(398)**	**—**
Net reversal/(charge)	**78**	**(144)**	**(229)**	**(295)**
Other movements	**—**	**—**	**357**	**357**
Balance as at 30 June 2019	**(832)**	**(1,933)**	**(818)**	**(3,583)**

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(684)	(1,815)	(1,312)	(3,811)
Transfer:				
to stage 2	24	(24)	—	—
to stage 3	—	261	(261)	—
Net reversal/(charge)	(291)	(617)	277	(631)
Other movements	38	11	748	797
Balance as at 31 December 2018	(913)	(2,184)	(548)	(3,645)

6.17 Property and equipment

	30 June 2019	31 December 2018
Property and equipment	**48,125**	48,763
Disposal of property and equipment	**1**	2
Total	**48,126**	48,765

6.17 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress	Total
Original cost							
Balance as at 31 December 2018	**18,060**	**4,677**	**8,891**	**506**	**31,354**	**3,846**	**67,334**
Increase	**167**	**95**	**124**	**5**	**643**	**284**	**1,318**
CIP transfers	**961**	**—**	**—**	**—**	**—**	**(961)**	**—**
Decrease	**(9)**	**(218)**	**(42)**	**(5)**	**(192)**	**(15)**	**(481)**
Balance as at 30 June 2019	**19,179**	**4,554**	**8,973**	**506**	**31,805**	**3,154**	**68,171**
Accumulated depreciation							
Balance as at 31 December 2018	**(3,769)**	**(2,924)**	**(6,773)**	**(405)**	**(4,494)**	**—**	**(18,365)**
Increase	**(293)**	**(331)**	**(424)**	**(18)**	**(716)**	**—**	**(1,782)**
Decrease	**3**	**216**	**39**	**5**	**37**	**—**	**300**
Balance as at 30 June 2019	**(4,059)**	**(3,039)**	**(7,158)**	**(418)**	**(5,173)**	**—**	**(19,847)**
Impairment losses							
Balance as at 31 December 2018	**—**	**—**	**—**	**—**	**(206)**	**—**	**(206)**
Increase	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Decrease	**—**	**—**	**—**	**—**	**7**	**—**	**7**
Balance as at 30 June 2019	**—**	**—**	**—**	**—**	**(199)**	**—**	**(199)**
Carrying amount							
Balance as at 31 December 2018	**14,291**	**1,753**	**2,118**	**101**	**26,654**	**3,846**	**48,763**
Balance as at 30 June 2019	**15,120**	**1,515**	**1,815**	**88**	**26,433**	**3,154**	**48,125**
Original cost							
Balance as at 31 December 2017	15,238	5,736	8,765	522	29,657	4,880	64,798
Increase	1,154	326	528	19	3,540	692	6,259
CIP transfers	1,726	—	—	—	—	(1,726)	—
Decrease	(58)	(1,385)	(402)	(35)	(1,843)	—	(3,723)
Balance as at 31 December 2018	18,060	4,677	8,891	506	31,354	3,846	67,334
Accumulated depreciation							
Balance as at 31 December 2017	(3,226)	(3,385)	(6,087)	(391)	(3,165)	—	(16,254)
Increase	(543)	(905)	(1,065)	(46)	(1,540)	—	(4,099)
Decrease	—	1,366	379	32	211	—	1,988
Balance as at 31 December 2018	(3,769)	(2,924)	(6,773)	(405)	(4,494)	—	(18,365)
Impairment losses							
Balance as at 31 December 2017	—	—	—	—	(206)	—	(206)
Increase	—	—	—	—	(8)	—	(8)
Decrease	—	—	—	—	8	—	8
Balance as at 31 December 2018	—	—	—	—	(206)	—	(206)
Carrying amount							
Balance as at 31 December 2017	12,012	2,351	2,678	131	26,286	4,880	48,338
Balance as at 31 December 2018	14,291	1,753	2,118	101	26,654	3,846	48,763

6.17 Property and equipment (continued)

As at 30 June 2019 and 31 December 2018, the Group did not have any property and equipment which were acquired by means of finance lease or temporarily idle or held for sale.

The carrying value of buildings and leasehold improvements is analysed by the remaining terms of the leases as follows:

	30 June 2019	31 December 2018
Held in mainland China		
on medium-term lease (10–50 years)	**14,954**	14,177
on short-term lease (less than 10 years)	**1,681**	1,867
Total	**16,635**	16,044

As at 30 June 2019, there were still certain properties and buildings, with a carrying value of RMB1,205 million (31 December 2018: RMB1,315 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

6.18 Right-of-use assets

	Buildings	Motor vehicles	Land use right	Total
Original cost				
Balance as at 31 December 2018	—	—	4,484	4,484
Changes in accounting policies	10,986	353	—	11,339
Balance as at 1 January 2019	10,986	353	4,484	15,823
Increase	1,008	—	—	1,008
Decrease	(129)	—	—	(129)
Balance as at 30 June 2019	11,865	353	4,484	16,702
Accumulated depreciation/amortisation				
Balance as at 31 December 2018	—	—	(920)	(920)
Changes in accounting policies	—	—	—	—
Balance as at 1 January 2019	—	—	(920)	(920)
Increase	(1,393)	(62)	(56)	(1,511)
Balance as at 30 June 2019	(1,393)	(62)	(976)	(2,431)
Impairment losses				
Balance as at 31 December 2018	—	—	—	—
Changes in accounting policies	—	—	—	—
Balance as at 1 January 2019	—	—	—	—
Balance as at 30 June 2019	—	—	—	—
Carrying amount				
Balance as at 1 January 2019	10,986	353	3,564	14,903
Balance as at 30 June 2019	10,472	291	3,508	14,271

6.19 Deferred income tax assets and liabilities

(1) Deferred income tax items

	30 June 2019	31 December 2018
Deferred income tax assets	**32,481**	30,691
Deferred income tax liabilities	**(123)**	(123)
Total	**32,358**	30,568

(2) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	30 June 2019		31 December 2018	
	Deferred income tax assets/ (liabilities)	**Deductible/ (taxable) temporary differences**	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	**34,635**	**138,540**	31,079	124,316
Employee benefits payable	**2,099**	**8,396**	2,733	10,932
Fair value losses of				
derivatives	**2,518**	**10,072**	4,509	18,036
Financial assets at fair value through other comprehensive income	**30**	**120**	130	520
financial assets at fair value through profit or loss	**563**	**2,252**	1,112	4,448
Others	**290**	**1,160**	308	1,232
Subtotal	**40,135**	**160,540**	39,871	159,484
Deferred income tax liabilities				
Fair value gains of				
derivatives	**(6,517)**	**(26,068)**	(8,256)	(33,024)
Financial assets at fair value through other comprehensive income	**(778)**	**(3,112)**	(609)	(2,436)
financial assets at fair value through profit or loss	**(199)**	**(796)**	(315)	(1,260)
Others	**(283)**	**(1,132)**	(123)	(492)
Subtotal	**(7,777)**	**(31,108)**	(9,303)	(37,212)
Deferred income tax assets, net	**32,358**	**129,432**	30,568	122,272

6.19 Deferred income tax assets and liabilities (continued)

(3) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
At 31 December 2018	**31,079**	**5,751**	**3,041**	**39,871**	**(9,303)**
Recognised in profit or loss	**3,556**	**(2,540)**	**(652)**	**364**	**1,689**
Recognised in other comprehensive income	**—**	**(100)**	**—**	**(100)**	**(163)**
At 30 June 2019	**34,635**	**3,111**	**2,389**	**40,135**	**(7,777)**
At 31 December 2017	24,686	6,257	2,966	33,909	(4,812)
Changes in accounting policies	3,158	370	—	3,528	(126)
At 1 January 2018	27,844	6,627	2,966	37,437	(4,938)
Recognised in profit or loss	3,235	111	75	3,421	(3,826)
Recognised in other comprehensive income	—	(987)	—	(987)	(539)
At 31 December 2018	31,079	5,751	3,041	39,871	(9,303)

6.20 Investment in subsidiaries

(1) Directly held subsidiaries

	30 June 2019	31 December 2018
Minsheng Financial Leasing	**2,600**	2,600
CMBC International	**2,494**	2,494
Minsheng Royal Fund	**190**	190
Pengzhou Rural Bank	**20**	20
Cixi Rural Bank	**107**	35
Songjiang Rural Bank	**70**	70
Qijiang Rural Bank	**30**	30
Tongnan Rural Bank	**25**	25
Meihekou Rural Bank	**26**	26
Ziyang Rural Bank	**172**	172
Jiangxia Rural Bank	**41**	41
Changyuan Rural Bank	**26**	26
Yidu Rural Bank	**26**	26
Jiading Rural Bank	**102**	102
Zhongxiang Rural Bank	**36**	36
Penglai Rural Bank	**51**	51
Anxi Rural Bank	**74**	51
Funing Rural Bank	**52**	52
Taicang Rural Bank	**76**	76
Ningjin Rural Bank	**20**	20
Zhangpu Rural Bank	**25**	25
Puer Rural Bank	**15**	15
Jinghong Rural Bank	**15**	15
Zhidan Rural Bank	**7**	7
Ningguo Rural Bank	**20**	20
Yuyang Rural Bank	**25**	25
Guichi Rural Bank	**26**	26
Tiantai Rural Bank	**31**	31
Tianchang Rural Bank	**20**	20
Tengchong Rural Bank	**20**	20
Xiang'an Rural Bank	**36**	36
Linzhi Rural Bank	**13**	13
Total	**6,491**	6,396

6.20 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing	Tianjin China	Leasing	RMB5,095 million	Limited company	51.03	51.03
CMBC International	Hong Kong China	Investment banking	HKD3,000 million	Limited company	100.00	100.00
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited company	63.33	63.33
Pengzhou Rural Bank (i)	Sichuan China	Commercial bank	RMB55 million	Limited company	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB100 million	Limited company	64.68	64.68
Songjiang Rural Bank (i)	Shanghai China	Commercial bank	RMB150 million	Limited company	35	35
Qijiang Rural Bank (ii)	Chongqing China	Commercial bank	RMB61.57 million	Limited company	48.73	51.27
Tongnan Rural Bank (i)	Chongqing China	Commercial bank	RMB50 million	Limited company	50	50
Meihekou Rural Bank	Jilin China	Commercial bank	RMB50 Million	Limited company	51	51
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB211 million	Limited company	81.41	81.41
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB86 million	Limited company	51	51
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Limited company	51	51
Yidu Rural Bank	Hubei China	Commercial bank	RMB52.4 million	Limited company	51	51
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Limited company	51	51
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Limited company	51	51
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Limited company	51	51
Anxi Rural Bank	Fujian China	Commercial bank	RMB128 million	Limited company	57.99	57.99
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Limited company	51	51
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Limited company	51	51
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Limited company	51	51
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Limited company	51	51
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51	51
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Limited company	51	51
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Limited company	51	51
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Limited company	51	51
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Limited company	51	51
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51	51
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB40 million	Limited company	51	51
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Limited company	51	51
Linzhi Rural Bank	Tibet China	Commercial bank	RMB25 million	Limited company	51	51

6.20 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries (continued)

(i) Although the Bank holds half or less than half of the voting rights in some rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

(ii) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the two parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

6.21 Other assets

	Note	**30 June 2019**	31 December 2018
Items in the process of clearance and settlement		**17,535**	6,156
Repossessed assets	(1)	**10,715**	10,631
Commission receivable		**9,370**	7,678
Prepayments for leased assets	(2)	**7,937**	7,924
Investment properties		**6,422**	4,604
Interest receivable	(3)	**4,785**	3,597
Land use right		**N/A**	3,564
Prepayment		**1,658**	2,037
Intangible assets	(4)	**1,136**	1,192
Margin accounts receivable		**677**	934
Goodwill	(5)	**202**	201
Long-term deferred expenses		**65**	106
Others		**13,741**	11,674
Subtotal		**74,243**	60,298
Less: allowance for impairment losses		**(1,625)**	(1,512)
Total		**72,618**	58,786

(1) Repossessed assets

Repossessed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB246 million during the six months ended 30 June 2019 (Six months ended 30 June 2018: RMB118 million).

(2) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

6.21 Other assets (continued)

(3) Interest receivable

	30 June 2019	31 December 2018
Debt and other securities	**2,802**	1,492
Loans and advances to customers	**1,967**	2,073
Others	**16**	32
Total	**4,785**	3,597

(4) Intangible assets

	Six months ended 30 June 2019	Year ended 31 December 2018
Cost		
Balance as at 1 January	**4,290**	3,594
Increase	**175**	697
Decrease	**—**	(1)
Balance as at 30 June/31 December	**4,465**	4,290
Accumulated amortisation		
Balance as at 1 January	**(3,098)**	(2,637)
Increase	**(231)**	(462)
Decrease	**—**	1
Balance as at 30 June/31 December	**(3,329)**	(3,098)
Carrying amount		
Balance as at 1 January	**1,192**	957
Balance as at 30 June/31 December	**1,136**	1,192

6.21 Other assets (continued)

(5) Goodwill arising from CMBC Financial holdings

	30 June 2019	31 December 2018
At 1 January	**201**	198
Disposal of subsidiaries	**—**	(6)
Exchange difference	**1**	9
Gross amount	**202**	201
Impairment	**—**	—
Net amount	**202**	201

As at 30 June 2019 and 31 December 2018, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

6.22 Deposits and placements from banks and other financial institutions

	30 June 2019	31 December 2018
Mainland China		
Banks	**230,170**	254,963
Other financial institutions	**787,304**	726,295
Overseas		
Banks	**65,249**	81,117
Other financial institutions	**24,895**	22,863
Subtotal	**1,107,618**	1,085,238
Interest accrued	**5,570**	6,622
Total	**1,113,188**	1,091,860

6.23 Borrowings from banks and other financial institutions

	30 June 2019	31 December 2018
Credit borrowings	**110,475**	102,955
Secured borrowings		
— by tangible assets other than monetary assets	**21,212**	21,310
Subtotal	**131,687**	124,265
Interest accrued	**912**	778
Total	**132,599**	125,043

As at 30 June 2019, the secured borrowings of RMB21,212 million (31 December 2018: RMB21,330 million) consisted of property and equipment of RMB14,836 million (31 December 2018: RMB15,261 million) and the mortgaged assets under finance lease receivables of RMB17,567 million (31 December 2018: RMB15,782 million) as collateral; there was no other assets as collateral (31 December 2018: Nil).

6.24 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
Financial investments	**48,359**	55,956
Discounted bills	**32,725**	33,408
Including: bills rediscounted	**27,586**	26,294
Long-term receivables	**—**	16
Subtotal	**81,084**	89,380
Interest accrued	**271**	307
Total	**81,355**	89,687

6.25 Deposits from customers

	30 June 2019	31 December 2018
Demand deposits		
Corporate deposits	**1,058,865**	1,104,706
Personal deposits	**202,627**	197,933
Time deposits (including call and notice deposits)		
Corporate deposits	**1,695,579**	1,473,907
Personal deposits	**462,544**	377,356
Certificates of deposit	**5,264**	10,444
Outward remittance and remittance payables	**2,636**	2,946
Subtotal	**3,427,515**	3,167,292
Interest accrued	**29,849**	27,149
Total	**3,457,364**	3,194,441

The pledged deposits included in deposits from customers are analysed as follows:

	30 June 2019	31 December 2018
Pledged deposits for bank acceptances	**131,042**	130,012
Pledged deposits for letters of credit and guarantees	**46,811**	55,284
Other pledged deposits	**20,788**	32,469
Total	**198,641**	217,765

6.26 Lease liabilities

	30 June 2019
Lease liabilities	**10,143**

As at 30 June 2019, the Group did not include lease liabilities, but the items that will lead to future potential cash outflows include: the lease payments related to the lease contracts signed by the Group but not yet implemented were RMB38 million.

6.27 Provisions

	30 June 2019	31 December 2018
Credit loss of off-balance-sheet assets	**1,255**	1,371

As at 30 June 2019, movements of credit loss of off-balance-sheet assets are as follows:

	Six months ended 30 June 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**(1,335)**	**(33)**	**(3)**	**(1,371)**
Transfer:				
to stage 1	**(3)**	**3**	**—**	**—**
to stage 2	**24**	**(24)**	**—**	**—**
to stage 3	**1**	**1**	**(2)**	**—**
Net reversal/(charge)	**121**	**3**	**(8)**	**116**
Balance as at 30 June 2019	**(1,192)**	**(50)**	**(13)**	**(1,255)**

As at 31 December 2018, movements of credit loss of off-balance-sheet assets are as follows:

	Year ended 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	(1,791)	(442)	—	(2,233)
Transfer:				
to stage 1	(4)	4	—	—
to stage 2	3	(3)	—	—
to stage 3	1	1	(2)	—
Net reversal/(charge)	463	407	(1)	869
Other movements	(7)	—	—	(7)
Balance as at 31 December 2018	(1,335)	(33)	(3)	(1,371)

6.28 Debt securities issued

	Note	**30 June 2019**	31 December 2018
Certificates of interbank deposit		**465,180**	435,962
Financial bonds	(1)	**114,968**	114,951
Tier-two capital bonds	(2)	**109,924**	89,911
Medium-term notes	(3)	**20,568**	20,544
Subordinated bonds	(4)	**3,995**	3,995
Hybrid capital bonds	(5)	**—**	4,994
Subtotal		**714,635**	670,357
Interest accrued		**4,688**	4,166
Total		**719,323**	674,523

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(1) Financial bonds

	Note	**30 June 2019**	31 December 2018
RMB40 billion — 3-year fixed rate financial bonds 2018	(i)	**39,992**	39,990
RMB30 billion — 3-year fixed rate financial bonds 2017	(ii)	**29,991**	29,985
RMB20 billion — 3-year fixed rate financial bonds 2016	(iii)	**19,997**	19,993
RMB20 billion — 3-year fixed rate financial bonds 2018	(iv)	**19,996**	19,995
RMB4 billion — 3-year fixed rate financial bonds 2018	(v)	**3,993**	3,989
RMB1 billion — 3-year fixed rate financial bonds 2017	(vi)	**999**	999
Total		**114,968**	114,951

(i). RMB40 billion worth of fixed-rate financial bonds were issued at 22 November 2018, with a term of three years, and a fixed coupon rate of 3.83% per annum.

(ii). RMB30 billion worth of fixed-rate financial bonds were issued at 7 March 2017, with a term of three years, and a fixed coupon rate of 4.00% per annum.

(iii). RMB20 billion worth of fixed-rate financial bonds were issued at 27 October 2016, with a term of three years, and a fixed coupon rate of 2.95% per annum.

(iv). RMB20 billion worth of fixed-rate financial bonds were issued at 14 December 2018, with a term of three years, and a fixed coupon rate of 3.76% per annum.

(v). RMB4 billion worth of fixed-rate financial bonds were issued at 22 May 2018, with a term of three years, and a fixed coupon rate of 4.90% per annum.

(vi). RMB1 billion worth of fixed-rate financial bonds were issued at 8 August 2017, with a term of three years, and a fixed coupon rate of 4.50% per annum.

6.28 Debt securities issued (continued)

(2) Tier-two capital bonds

	Note	**30 June 2019**	31 December 2018
RMB20 billion — 10-year fixed rate tier-two capital bonds 2019	(i)	**39,992**	—
RMB20 billion — 10-year fixed rate tier-two capital bonds 2015	(ii)	**19,984**	19,983
RMB20 billion — 10-year fixed rate tier-two capital bonds 2016	(iii)	**19,980**	19,979
RMB15 billion — 10-year fixed rate tier-two capital bonds 2017 1st tranche	(iv)	**14,984**	14,983
RMB15 billion — 10-year fixed rate tier-two capital bonds 2017 2nd tranche	(v)	**14,984**	14,983
RMB20 billion — 10-year fixed rate tier-two capital bonds 2014	(vi)	**—**	19,983
Total		**109,924**	89,911

(i) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued at 1 March 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(ii) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 5.40% per annum, were issued at 28 April 2015. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(iii) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 3.50% per annum, were issued at 30 August 2016. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(iv) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 12 September 2017 as the 1st tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(v) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 27 November 2017 as the 2nd tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(vi) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 6.60% per annum, were issued at 18 March 2014. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed all the Tier-two capital bonds as at 20 March 2019.

6.28 Debt securities issued (continued)

(3) Medium-term notes

	Note	**30 June 2019**	31 December 2018
USD0.6 billion — 5-year medium-term notes 2018	(i)	**4,113**	4,110
USD0.5 billion — 3-year medium-term notes 2017	(ii)	**3,428**	3,423
USD0.45 billion — 3-year medium-term notes 2017	(iii)	**3,088**	3,085
USD0.45 billion — 3-year medium-term notes 2017	(iv)	**3,085**	3,081
USD0.4 billion — 3-year medium-term notes 2018	(v)	**2,741**	2,737
USD0.35 billion — 5-year medium-term notes 2017	(vi)	**2,400**	2,398
USD0.25 billion — 3-year medium-term notes 2017	(vii)	**1,713**	1,710
Total		**20,568**	20,544

(i) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued at 9 March 2018, with a term of 5 years. The coupon rate is 3.38%.

(ii) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued at 5 May 2017, with a term of 3 years. The coupon rate is 2.50%.

(iii) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued at 11 September 2017, with a term of 3 years. The coupon rate is 2.44%.

(iv) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued at 15 November 2017, with a term of 3 years. The coupon rate is 2.34%.

(v) Medium-term notes with a nominal value of USD0.4 billion of medium-term notes were issued at 9 March 2018, with a term of 3 years. The coupon rate is 3.50%.

(vi) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued at 11 September 2017, with a term of 5 years. The coupon rate is 2.54%.

(vii) Medium-term notes with a nominal value of USD0.25 billion of medium-term notes were issued at 15 November 2017, with a term of 3 years. The coupon rate is 2.88%.

(4) Subordinated bonds

	Note	**30 June 2019**	31 December 2018
RMB4 billion — 15-year subordinated fixed rate bonds 2011	(i)	**3,995**	3,995

(i) Subordinated bonds with a nominal value of RMB4 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued at 18 March 2011.The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date.

According to the issuance terms, these bonds are subordinated to all other claims against the Bank's assets, except those of the hybrid capital bond holders and shareholders.

6.28 Debt securities issued (continued)

(5) Hybrid capital bonds

	Note	**30 June 2019**	31 December 2018
15-year hybrid capital fixed rate bonds 2009	(i)	**—**	3,321
15-year hybrid capital floating rate bonds 2009	(ii)	**—**	1,673
Total		**—**	4,994

(i) Hybrid capital bonds with a nominal value of RMB3.325 billion, a term of 15 years and a fixed coupon rate is 5.70% per annum for the first 10 years, were issued at 25 March 2009. And if the Bank does not exercise the early redemption right from the 11th year onward, the coupon rate will increase to 8.70% per annum. The Bank has redeemed all the Hybrid capital bonds on 25 March 2019.

(ii) Hybrid capital bonds with a nominal value of RMB1.675 billion, a term of 15 years and of floating-rate, were issued at 25 March 2009. The floating rate is based on the one-year time deposit rate published by the PBOC plus a spread of 3.00% per annum for the first 10 years. If the Bank does not exercise the early redemption right from the 11th year onward, the spread will increase to 6.00% per annum. The Bank has redeemed all the Hybrid capital bonds on 25 March 2019.

6.29 Other liabilities

	Note	**30 June 2019**	31 December 2018
Items in the process of clearance and settlement		**21,557**	11,498
Dividends payable		**15,105**	—
Receipt in advance		**9,405**	10,479
Employee benefits payable	(1)	**8,573**	11,130
Other tax payable	(2)	**3,753**	4,390
Intermediate collection and payment		**3,004**	3,897
Accrued expenses		**1,212**	702
Payable for long-term assets		**724**	750
Deferred fee and commission income		**566**	387
Guarantee deposits for finance lease		**287**	327
Others		**13,519**	11,175
Total		**77,705**	54,735

6.29 Other liabilities (continued)

(1) Employee benefits payable

	1 January 2019	**Increase**	**Decrease**	**30 June 2019**
Short-term employee benefits				
Salaries, bonuses and allowances	**10,731**	**7,149**	**(9,966)**	**7,914**
Staff welfare fees	**—**	**728**	**(728)**	**—**
Social insurance (i) and supplementary insurance	**86**	**407**	**(368)**	**125**
Housing fund	**145**	**558**	**(502)**	**201**
Labour union fee, staff and workers' education fee	**21**	**208**	**(138)**	**91**
Subtotal	**10,983**	**9,050**	**(11,702)**	**8,331**
Post-employment benefits -defined contribution plans				
Basic pension insurance plans	**99**	**724**	**(639)**	**184**
Unemployment insurance	**19**	**26**	**(23)**	**22**
Annuity scheme	**29**	**485**	**(478)**	**36**
Subtotal	**147**	**1,235**	**(1,140)**	**242**
Total	**11,130**	**10,285**	**(12,842)**	**8,573**

	1 January 2018	Increase	Decrease	31 December 2018
Short-term employee benefits				
Salaries, bonuses and allowances	11,297	18,241	(18,807)	10,731
Staff welfare fees	—	2,179	(2,179)	—
Social insurance (i) and supplementary insurance	57	1,336	(1,307)	86
Housing fund	126	1,129	(1,110)	145
Labour union fee, staff and workers' education fee	24	584	(587)	21
Subtotal	11,504	23,469	(23,990)	10,983
Post-employment benefits -defined contribution plans				
Basic pension insurance plans	92	1,424	(1,417)	99
Unemployment insurance	17	49	(47)	19
Annuity scheme	25	940	(936)	29
Subtotal	134	2,413	(2,400)	147
Total	11,638	25,882	(26,390)	11,130

(i) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

6.29 Other liabilities (continued)

(2) Other tax payable

	30 June 2019	31 December 2018
Value added tax	**2,935**	3,029
Others	**963**	1,361
Total	**3,898**	4,390

6.30 Share capital and capital reserve

	30 June 2019	31 December 2018
Ordinary shares listed in Mainland China (A shares)	**35,462**	35,462
Ordinary shares listed in Hong Kong (H shares)	**8,320**	8,320
Total shares	**43,782**	43,782

The Group's capital reserve of RMB57,450 million as at 30 June 2019 (31 December 2018: RMB57,470 million), mainly represents capital premium.

All A shares and H shares are with no selling restrictions and rank pari passu with the same rights and benefits.

6.31 Preference shares

(1) Outstanding preference shares at 30 June 2019

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount	In original currency	In RMB	Maturity	Conversion condition	Conversion
					million shares					
Overseas Preference Shares	14 December 2016	Equity	4.95%	USD20/ Share	72	1,439	9,933	None	Mandatory	No
Total							9,933			
Less: Issue fees							(41)			
Book value							9,892			

6.31 Preference shares (continued)

(2) Main Clauses

(a) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

(b) Conditions to distribution of dividends

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Group has right to redeem all or some of oversee preferred stocks in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

The First Redemption Date of USD Preference Shares is five years after issuance.

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.31 Preference shares (continued)

(2) Main Clauses (continued)

(g) Dividend setting mechanism

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

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

6.32 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 30 June 2019

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount	In original currency	In RMB	Maturity	Conversion condition	Conversion
					million shares					
Perpetual Bonds	30 May 2019	Equity	4.85%	100RMB/ Share	400	40,000	40,000	None	No	No
Total							40,000			
Less: Issue fees							(8)			
Book value							39,992			

(2) Main Clauses

(a) Principal Amount

RMB40 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

6.32 Perpetual Bonds (continued)

(2) Main Clauses (continued)

(c) Distribution Rate

The Distribution Rate of the Notes will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralised allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Notes.

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option is not applicable.

6.33 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, when the statutory surplus reserve reaches 50% of its registered capital, the Bank is still required to appropriate 10% of its net profit. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Bank did not appropriate statutory surplus reserve for the six months ended 30 June 2019 (for the year ended 31 December 2018: RMB4,997 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

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

The Bank did not appropriate profits to the general reserve for the six months ended 30 June 2019 and the year ended 31 December 2018.

(3) Retained earnings

As at 30 June 2019, the retained earnings included the statutory surplus reserve of RMB574 million contributed by the subsidiaries and attributable to the Bank (31 December 2018: RMB561 million).

6.34 Non-controlling interests

As at 30 June 2019, the non-controlling interests in the subsidiaries are RMB11,339 million (31 December 2018: RMB10,927 million).

6.35 Dividends

Dividends for Ordinary Shares

The shareholders approved the cash dividend distribution plan for 2018 at the Annual General Meeting on 21 June 2019. The cash dividend declared was RMB3.45 (before tax) for every 10 shares. A total dividend of RMB15,105 million was based on total number of shares of 43,782 million as at 31 December 2018.

The shareholders approved the cash dividend distribution plan for the second half of 2017 and the capital reserve conversion plan at the Annual General Meeting on 21 June 2018. The cash dividend declared was RMB0.90 (before tax) for every 10 shares, amounting to a total dividend of RMB3,284 million based on total number of shares of 36,485 million as at 31 December 2017. And the Bank converted capital reserve to share capital on the basis of 2 shares for every 10 shares to all shareholders, the total number of shares increased accordingly was 7,297 million shares.

The shareholders approved the profit distribution plan for the first half of 2017 in the Meeting held on 28 August 2017. The cash dividends declared was RMB1.20 (before tax) for every 10 shares, amounting to a total dividend of RMB4,378 million.

The shareholders approved the cash dividend distribution plan for the second half of 2016 at the Annual General Meeting on 16 June 2017. The cash dividend declared was RMB1.65 (before tax) for every 10 shares, amounting to a total dividend of RMB6,020 million.

Dividends for Preference Shares

According to the resolution on the distribution of dividends for overseas preference shares passed at the Board of Directors' meeting held on 30 October 2018, dividend to be distributed amounts to RMB551 million (including tax), calculated at the initial annual payout ratio of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2018.

6.36 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	**Cash flow hedging reserve**	**Total**
As at 1 January 2019	**1,133**	**23**	**1,156**
Net changes in amount for the period	**816**	**(17)**	**799**
Retained earnings convert from investment revaluation reserve	**1**	**—**	**1**
As at 30 June 2019	**1,950**	**6**	**1,956**

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 31 December 2017	(4,757)	(3)	(4,760)
Changes in accounting policies	1,489	—	1,489
As at 1 January 2018	(3,268)	(3)	(3,271)
Net changes in amount for the period	4,401	26	4,427
As at 31 December 2018	1,133	23	1,156

6.37 Notes to the consolidated cash flow statement

(1) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	30 June 2019	30 June 2018
Cash (Note 6.9)	**6,065**	7,113
Surplus deposit reserve with central bank (Note 6.9)	**45,361**	48,330
Original maturity within 3 months:		
— Balances with banks and other financial institutions	**49,402**	40,807
— Placements with banks and other financial institutions	**43,976**	19,820
Total	**144,804**	116,070

6.37 Notes to the consolidated cash flow statement (continued)

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group				
	Liabilities		Equity		
	Debt securities issued	Interest payable on debt securities issued	Retained profits	Non-controlling interests	Total
Note 6	**28**		**33(3)**	**34**	
Balance as at 1 January 2019	**670,357**	**4,166**	**193,131**	**10,927**	**878,581**
Cash flows from financing activities					
Proceeds from issue of debt securities	**420,980**	**—**	**—**	**—**	**420,980**
Interests paid on debt securities issued	**—**	**(5,192)**	**—**	**—**	**(5,192)**
Repayments of debt securities issued	**(384,023)**	**—**	**—**	**—**	**(384,023)**
Dividends paid	**—**	**—**	**—**	**—**	**—**
Capital paid by non-controlling parties	**—**	**—**	**—**	**20**	**20**
Net cash flows from financing activities	**36,957**	**(5,192)**	**—**	**20**	**31,785**
Total of other liability changes	**7,321**	**5,714**	**—**	**—**	**13,035**
Total of other equity changes	**—**	**—**	**16,491**	**392**	**16,883**
Balance as at 30 June 2019	**714,635**	**4,688**	**209,622**	**11,339**	**940,284**

6.37 Notes to the consolidated cash flow statement (continued)

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Group				
	Liabilities		Equity		
	Debt securities issued	Interest payable on debt securities issued	Retained profits	Non-controlling interests	Total
Note 6	28		33(3)	34	
Balance as at 1 January 2018	501,927	3,789	151,893	10,694	668,303
Cash flows from financing activities					
Proceeds from issue of debt securities	1,167,503	—	—	—	1,167,503
Interests paid on debt securities issued	—	(19,305)	—	—	(19,305)
Repayments of debt securities issued	(1,003,023)	—	—	—	(1,003,023)
Dividends paid	—	—	(3,863)	—	(3,863)
Capital paid by non-controlling parties	—	—	—	181	181
Net cash flows from financing activities	164,480	(19,305)	(3,863)	181	141,493
Total of other liability changes	3,950	19,682	—	—	23,632
Total of other equity changes	—	—	45,101	52	45,153
Balance as at 31 December 2018	670,357	4,166	193,131	10,927	878,581

6.38 Transferred financial assets

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

(1) Securitisation transactions

The Group enters into securitisation transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

As at 30 June 2019, the outstanding asset-backed securities included accumulative loans transferred by the Group was RMB70,457 million (31 December 2018: RMB62,275 million). RMB60,588 million of this balance (31 December 2018: RMB52,406 million) was qualified for full de-recognition concluded by the Group. The remaining balance of RMB9,869 million (31 December 2018: RMB9,869 million) had continuing involvement in these assets concluded by the Group. As at 30 June 2019, the Group continued to recognise assets of RMB1,038 million (31 December 2018: RMB1,038 million).

(2) Transfer of non-performing loans

For the six months ended 30 June 2019, the Group transferred non-performing loans through disposal to third parties, and through securitisation transactions with gross loan balance of RMB10,264 million (During the period ended 30 June 2018: RMB4,461 million). The Group carried out an assessment and concluded that these transferred assets qualified for full de-recognition.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have 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 amount of debt securities lent to counterparties was RMB1,250 million (31 December 2018: Nil).

7 CONTINGENT LIABILITIES AND COMMITMENTS

7.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans 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 fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

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

	30 June 2019	31 December 2018
Bank acceptances	**560,453**	518,408
Guarantees	**135,388**	136,864
Letters of credit	**133,543**	113,207
Unused credit card commitments	**368,406**	231,054
Finance lease commitments	**1,574**	3,193
Irrevocable loan commitments		
— original maturity date within 1 year	**267**	726
— original maturity date over 1 year (inclusive)	**3,313**	3,262
Total	**1,202,944**	1,006,714
Credit risk weighted amounts of credit commitments	**367,087**	432,578

7.2 Capital commitments

	30 June 2019	31 December 2018
Contracted but not paid for	**1,069**	18,400

7 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

7.3 Collateral

(1) Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under borrowings from banks and other financial institutions and repurchase agreements as follows:

	30 June 2019	31 December 2018
Financial investments	**45,537**	55,195
Loans		
— discounted bills	**32,996**	33,399
Finance lease receivables	**17,567**	15,782
Property and equipment	**14,836**	15,272
Balances with banks and other financial institutions	**21**	414
Others	**2,123**	1,844
Total	**113,080**	121,906

(2) Collateral accepted

The Group received debt securities and bills as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. The Group did not hold any collateral that can be resold or re-pledged as at 30 June 2019 and as at 31 December 2018.

7.4 Underwriting of securities

	30 June 2019	31 December 2018
Medium and short-term finance bills	**196,450**	205,209

7.5 Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold by it should the holders decide to redeem the bonds early. 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. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2019 was RMB3,776 million (31 December 2018: RMB2,779 million). The original maturities of the bonds vary from one to five years.

7.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2019. With consideration of the professional advice, the Group's management believes such litigation will not have a significant impact on the Group.

8 INTERESTS IN STRUCTURED ENTITIES

8.1 Consolidated structured entities

Consolidated structured entities are mainly principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in financial assets and deposits from customers at fair value through profit or loss, respectively.

8.2 Unconsolidated structured entities

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

Structured entities sponsored by third party institutions include specialised asset management plans, trust beneficiary plans and asset-backed financings and the Group does not consolidate these structured entities. The Group has no obligation or intention to provide financial support to these structured entities, and records trading gains or losses and interest income therefrom.

The following table sets out an analysis of the line items in the statement of financial position as at 30 June 2019 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2019		
	Financial assets at fair value through profit and loss	**Financial assets measured at amortised cost**	**Financial assets at fair value through other comprehensive income**
Specialised asset management plans	**187,686**	**144,761**	**—**
Wealth management products	**58,587**	**—**	**—**
Trust beneficiary plans	**—**	**169,585**	**—**
Asset-backed financings	**2,686**	**25,326**	**146,815**
Funds	**90,457**	**—**	**—**
Total	**339,416**	**339,672**	**146,815**

8 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

8.2 Unconsolidated structured entities (continued)

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

The following table sets out an analysis of the line items in the statement of financial position as at 31 December 2018 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	31 December 2018		
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income
Specialised asset management plans	160,391	145,629	—
Wealth management products	58,871	—	—
Trust beneficiary plans	—	111,062	—
Asset-backed financings	4,864	6,695	130,165
Funds	56,859	—	—
Total	280,985	263,386	130,165

The maximum exposures to loss in the above specialised asset management plans, wealth management products, trust beneficiary plan, asset-backed financings and funds are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

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

The types of unconsolidated structured entities sponsored by the Group including non-principal-guaranteed wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of investment products. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 30 June 2019, the balance of products held by the unconsolidated non-principal-guaranteed wealth management products, funds and asset management plans, which are sponsored by the Group, are RMB862,128 million (31 December 2018: RMB850,704 million) and RMB240,920 million (31 December 2018: RMB277,848 million).

For the six months ended 30 June 2019, the amount of fee and commission income received from the abovementioned structured entities by the Group is RMB2,591 million (Six months ended 30 June 2018: RMB3,144 million).

As at 30 June 2019, the carrying amounts of the Group's investments in the notes issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

9 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

The balance of investment fund under custodian by the Group was RMB567,163 million as at 30 June 2019 (31 December 2018: RMB527,521 million). The balance of corporate annuity funds under custodian by the Group was RMB435,368 million as at 30 June 2019 (31 December 2018: RMB243,990 million). The balance of entrusted credit assets under management by the Group was RMB8,792 million as at 30 June 2019 (31 December 2018: RMB8,062 million). And the Group's balances of entrusted loans were RMB265,302 million as at 30 June 2019 (31 December 2018: RMB281,073 million).

10 RELATED PARTIES

10.1 Related parties

(1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, or joint control of another party. Related parties can be individuals or enterprises. Related parties that have significant influence on the Group include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; major shareholders with the power to influence the Bank's operating or financial policies, and entities controlled or jointly controlled by these major shareholders.

10 RELATED PARTIES (CONTINUED)

10.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	Registered capital	30 June 2019 No. of Shares of the Bank held by the Company (share)	30 June 2019 Proportion of the Bank held by the Company (%)	31 December 2018 No. of Shares of the Bank held by the Company	31 December 2018 Proportion of the Bank held by the Company (%)	Business (Note i)	Legal form	Legal representative
Anbang Life Insurance Inc.	Beijing	RMB30,790 million	7,810,214,889	17.84	7,352,284,689	16.79	Insurance business	Joint stock limited company	He Xiaofeng
Huaxia Life Insurance Co., Ltd.	Tianjin	RMB15,300 million	2,148,793,436	4.91	2,148,793,436	4.91	Insurance business	Joint stock limited company	Li Fei
Orient Group Incorporation	Heilongjiang	RMB3,715 million	1,280,117,123	2.92	1,280,117,123	2.92	Wholesaling	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Heilongjiang	RMB1,000 million	35,000,000	0.08	35,000,000	0.08	Commercial service	Limited company	Zhang Hongwei
China Oceanwide Holdings Group Co., Ltd.	Beijing	RMB20,000 million	2,019,182,618	4.61	2,019,182,618	4.61	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	USD0.05 million	604,300,950	1.38	604,300,950	1.38	Investment holding	Limited company	(Note ii)
China Oceanwide International Investment Company Limited	Hong Kong	HKD1,548 million	8,237,520	0.02	8,236,920	0.02	Investment holding	Limited company	(Note ii)
Long Prosper Capital Company Limited	British Virgin Islands	USD0.05 million	408,000,000	0.93	408,000,000	0.93	Investment holding	Limited company	(Note ii)
New Hope Liuhe Investment Co., Ltd.	Lhasa	RMB577 million	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Lhasa	RMB1,034 million	102,387,827	0.23	102,387,827	0.23	Retailing	Limited company	Li Jianxiong
Shanghai Giant Lifetech Co., Ltd.	Shanghai	RMB245 million	1,379,679,587	3.15	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
China Shipowners Mutual Assurance Association	Beijing	RMB0.10 million	1,314,284,476	3.00	1,314,284,476	3.00	Insurance business	National Social groups	Song Chunfeng
Tongfang Guoxin Investment Co., Ltd.	Chongqing	RMB2,574 million	758,759,715	1.73	737,918,456	1.69	Capital market service	Limited company	Liu Qinqin
Chongqing Guotou Equity Investment Management Co., Ltd.	Chongqing	RMB500 million	441,300,000	1.01	462,141,259	1.06	Commercial service	Limited company	Yu Xiaohua
Chongqing International Trust Company Limited	Chongqing	RMB15,000 million	151,792,261	0.35	135,910,661	0.31	Trust business	Joint stock limited company	Weng Zhenjie
Good First Group Co., Ltd.	Shanghai	RMB133 million	544,300,026	1.24	594,300,026	1.36	Research and experimental development	Limited company	Wu Di
Anbang Property & Casualty Insurance Co., Ltd.	Shenzhen	RMB37,000 million	—	—	457,930,200	1.05	Insurance business	Joint stock limited company	He Xiaofeng

10 RELATED PARTIES (CONTINUED)

10.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(i) Particulars of principal operations:

Anbang Life Insurance Inc.: Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC.

Huaxia Life Insurance Co., Ltd.: Various life insurance businesses such as life insurance, health insurance and accidental injury insurance businesses, related reinsurance businesses of the above insurances, funds application businesses permitted under the PRC laws and regulations, and other businesses approved by the former CIRC.

Orient Group Incorporation: Investments in modern agriculture and healthy food industry, new urbanisation and development, financial industry and ports.

China Oceanwide Holdings Group Co., Ltd.: Finance, real property and investment management.

New Hope Liuhe Investment Co., Ltd.: Venture capital, investment management, finance consultancy, wealth management advisory, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, technology consultancy services, etc.

South Hope Industrial Co., Ltd.: Research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the government), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services).

Shanghai Giant Lifetech Co., Ltd.: Manufacturing and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy, services and transfer in healthcare food aspect, back-to-back wholesale of pre-packaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy.

China Shipowners Mutual Assurance Association: Marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service.

Tongfang Guoxin Investment Co., Ltd.: Making investments with its own fund (accepting public deposits or accepting public deposits in any disguised form, granting loans and conducting securities, futures and other financial business are not allowed); providing its associated companies with consultancy services, including market information, in respect of markets in which they invested; providing planning and consultancy services in relation to corporate reorganisation, merger and acquisition; and providing corporate management services. (Businesses that require pre-approvals according to laws shall only be conducted after obtaining approvals from the relevant authorities).

Good First Group Co., Ltd.: Research, development and sale of high-tech products; industrial investment; investments in the education, agriculture, secondary industry and entertainment industry and healthcare products; sale of photographic equipment and new construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country.

10 RELATED PARTIES (CONTINUED)

10.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(ii) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are registered overseas, all the above companies are ultimately controlled by Lu Zhiqiang.

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	30 June 2019	31 December 2018
Anbang Life Insurance Inc.	**RMB30,790 million**	RMB30,790 million
Huaxia Life Insurance Co., Ltd.	**RMB15,300 million**	RMB15,300 million
Orient Group Incorporation	**RMB3,715 million**	RMB3,715 million
Oriental Group Co., Ltd.	**RMB1,000 million**	RMB1,000 million
China Oceanwide Holdings Group Co., Ltd.	**RMB20,000 million**	RMB20,000 million
Oceanwide International Equity	**USD0.05 million**	USD0.05 million
China Oceanwide International	**HKD1,548 million**	HKD1,548 million
Long Prosper Capital Company Limited	**USD0.05 million**	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	**RMB577 million**	RMB577 million
South Hope Industrial Co., Ltd.	**RMB1,034 million**	RMB884 million
Shanghai Giant Lifetech Co., Ltd.	**RMB245 million**	RMB245 million
China Shipowners Mutual Assurance Association	**RMB0.10 million**	RMB0.10 million
Tongfang Guoxin Investment Co., Ltd.	**RMB2,574 million**	RMB2,574 million
Chongqing Guotou Equity Investment Management Co., Ltd.	**RMB500 million**	RMB500 million
Chongqing International Trust Company Limited	**RMB15,000 million**	RMB15,000 million
Good First Group Co., Ltd.	**RMB133 million**	RMB133 million

(c) The detailed information of the Bank's subsidiaries is set out in Note 6.20.

10.2 Related party transactions

(1) Pricing policy

Transactions between the Group and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

10 RELATED PARTIES (CONTINUED)

10.2 Related party transactions (continued)

(2) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	**30 June 2019**	31 December 2018
Shanghai Zhunji Business Consulting Partnership (LP)	Guaranteed	**7,516**	7,536
Beijing Oceanwide Dongfeng Real Estate Co., Ltd.	Collateralised	**4,275**	4,310
Wuhan Centre Building Development Investment Co., Ltd.	Guaranteed	**3,975**	3,984
Beijing Changrong Bank Investment Management Co., Ltd	Pledged	**3,000**	—
Legend Holdings Ltd.	Guaranteed	**2,680**	1,202
Orient Group Incorporation Company and its subsidiaries	Collateralised	**2,594**	2,604
	Pledged	**299**	300
Oceanwide Holding Co., Ltd.	Pledged	**2,400**	—
	Guaranteed	**2,320**	2,325
Chengdu Hengjilong Real Estate Co., Ltd	Collateralised	**2,000**	1,503
China Oceanwide Holdings Group	Pledged	**1,200**	—
United Energy Group (Hong Kong) Ltd.	Guaranteed	**1,071**	—
China Tonghai International Finance Co., Ltd.	Guaranteed	**880**	877
Xiamen Jingding Sports Culture Development Co., Ltd.	Collateralised	**840**	621
Xiamen Rongyin Co., Ltd.	Pledged	**804**	488
	Collateralised	**96**	220
Chongqing Yujinyue Real Estate Development Co., Ltd	Collateralised	**700**	—
SHR FSST, LLC	Collateralised	**687**	688
Yuanyang Langji Real Estate Co., Ltd.	Collateralised	**650**	432
Zhangzhou Tangcheng Real Estate Co., Ltd	Collateralised	**576**	—
RPFCBIDCO PTY LIMITED	Pledged	**482**	484
Tianjin Haihui Real Estate Development Co., Ltd.	Collateralised	**430**	60
Xiamen Dazu Real Estate Development Co., Ltd.	Collateralised	**400**	401
Guangxi Tanggui Investment Co., Ltd.	Collateralised	**395**	189
Alxa Fengwei Photoelectric Co., Ltd.	Pledged	**352**	371
	Guaranteed	**123**	148
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	**350**	351
Sichuan Guida Industrial Co., Ltd.	Collateralised	**314**	451
Xiamen Hongfu Trading Co., Ltd.	Guaranteed	**250**	265
Gemdale (Group) Co., Ltd.	Guaranteed	**200**	200
Chengdu New Hope Real Estate Co., Ltd.	Collateralised	**178**	188
Sino-Ocean Real Estate (Hong Kong) Holding Limited	Guaranteed	**170**	191
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	**150**	150
Sichuan Te Qu Education Management Co., Ltd.	Collateralised	**150**	150
Shanghai Songjiang Water Company	Guaranteed	**95**	92
Inner Mongolia Qinghua Group New Energy Photovoltaic Co., Ltd.	Guaranteed	**90**	110
	Pledged	**60**	60
Xinjiang Oriental Hope Nonferrous Metals Co., Ltd.	Pledged	**35**	100
HopeSenlan Science & Technology Co., Ltd.	Guaranteed	**30**	30
Sichuan Hope Senlan Energy and Chemical Co., Ltd.	Guaranteed	**30**	30
Chongqing Yufu Highway Co., Ltd.	Pledged	**20**	20
Good First Group Co., Ltd.	Pledged	**—**	123
Hebei Sulong Photovoltaic Power Generation Co., Ltd.(i)	Collateralised	**N/A**	104
Individuals (ii)	Collateralised	**535**	14
	Guaranteed	**27**	3
Total		**43,429**	31,375
Ratio to similar transactions (%)		**1.39**	1.04

10 RELATED PARTIES (CONTINUED)

10.2 Related party transactions (continued)

(2) Loans to related parties (continued)

(i) As at 30 June 2019, these entities were no longer related parties of the Group.

(ii) The Bank will include the senior management of branches and their relatives as the related parties under management.

Amount of transactions:

	Six months ended 30 June	
	2019	2018
Interest income from loans	**1,330**	241
Ratio to similar transactions (%)	**1.70**	0.21

As at 30 June 2019, none of the above loans is found to be Lifetime ECL credit-impaired (31 December 2018: Nil).

(3) Other transactions with related parties

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 (%)
Placements with banks and other financial institutions	**700**	**0.29**	5,037	2.04
Financial investments				
— Financial assets measured at amortised cost	**3,358**	**0.28**	4,136	0.37
— Financial assets at fair value through other comprehensive income	**1,408**	**0.29**	1,810	0.39
— Financial assets at fair value through the profit or loss	**—**	**—**	78	0.02
Balances with banks and other financial institutions	**—**	**—**	401	0.77
Financial assets held under resale agreements	**—**	**—**	35	0.09
Deposits from customers	**62,945**	**1.84**	10,516	0.12
Deposits and placements from banks and other financial institutions	**—**	**—**	3,397	0.01

10 RELATED PARTIES (CONTINUED)

10.2 Related party transactions (continued)

(3) Other transactions with related parties (continued)

Amount of transactions for the reporting period:

	Six months ended 30 June			
	2019		2018	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Interest income	**69**	**0.06**	32	0.03
Interest expense	**875**	**1.13**	86	0.11
Fee and commission income	**2**	**0.01**	1	0.01
Operating expenses	**219**	**1.19**	103	0.57

	30 June 2019		31 December 2018	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Guarantees	**3,463**	**2.56**	3,468	3.03
Bank acceptances	**2,032**	**0.36**	2,948	0.65
Letters of credit	**333**	**0.25**	633	0.56
Unused credit card commitments (i)	**266**	**0.07**	12	0.01

(i) The Bank will include the senior management of branches and their relatives as the related parties under management.

10 RELATED PARTIES (CONTINUED)

10.2 Related party transactions (continued)

(3) Other transactions with related parties (continued)

Loans collateralised by related parties

	June 30 2019	31 December 2018
Oceanwide Holding Co., Ltd.	**8,250**	8,275
Sichuan New Hope Real Estate Development Co. Ltd.	**3,191**	2,138
Legend Holdings Ltd.	**3,174**	1,953
China Oceanwide Holdings Group Co., Ltd.	**2,320**	2,320
Good First Group Co., Ltd.	**1,990**	1,592
Giant Investments Ltd	**700**	—
Zhengqi Anhui Finance Holding Group Co. Ltd	**619**	433
Shanghai Giant Lifetech Co., Ltd.	**500**	500
Minsheng Yanglao Co., Ltd	**346**	346
Sichuan Te Qu Education Management Co., Ltd.	**230**	230
Chengdu Continental Hope Group Co. Ltd.	**80**	80
Anhui Zhuozhi Investment Co. Ltd.	**50**	47
Giant investments LTD, Shanghai giant investment management Co LTD and Shanghai Giant Lifetech Co., Ltd.	**7,517**	7,518
Good First Group Co., Ltd and Xiamen Dazu Real Estate Development Co., Ltd.	**3,738**	1,816
Total	**32,705**	27,248
Ratio to similar transactions (%)	**1.04**	0.91

None of the above related party transactions has a material impact on the Group's profit or loss for the six months ended 30 June 2019 and for the six months ended 30 June 2018.

(4) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2019 and for the six months ended 30 June 2018.

(5) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management amounted to RMB5 million as at 30 June 2019 (31 December 2018: RMB5 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB32 million for the six months ended 30 June 2019 (For the six months ended 30 June 2018: RMB32 million).

10 RELATED PARTIES (CONTINUED)

10.2 Related party transactions (continued)

(6) Transactions between the Bank and its subsidiaries

Balances outstanding as at the end of the reporting period:

	30 June 2019	31 December 2018
Placements with banks and other financial institutions	**8,958**	17,730
Loans and advances to customers	**1,811**	3,019
Other assets	**326**	2,199
Deposits and placements from banks and other financial institutions	**7,150**	6,689
Deposits from customers	**144**	1,422
Other liabilities	**1,358**	1,967

Amount of transactions for the reporting period:

	Six months ended 30 June	
	2019	2018
Interest income	**337**	323
Interest expense	**91**	126
Fee and commission income	**55**	108
Operating expenses	**90**	139

For the six months ended 30 June 2019, the transactions between subsidiaries of the Group are mainly inter-bank deposits. As at 30 June 2019, the balance of the above transactions was RMB910 million (31 December 2018: RMB747 million).

The balances and amount with the subsidiaries and inter-subsidiaries have been offset in these consolidated financial statements.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange-traded derivatives like futures (e.g. NASDAQ, S&P 500).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as Level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.

Level 3: Unobservable inputs for assets or liabilities. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 30 June 2019, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

This hierarchy requires the use of observable open market data wherever possible. The Group tries it best to consider relevant and observable market prices in valuations.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

11.1 Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	30 June 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	**35,515**	**87,033**	**561**	**123,109**
Equity investments	**11,846**	**—**	**5,383**	**17,229**
Investment funds	**90,457**	**—**	**—**	**90,457**
Specialised asset management plans	**—**	**187,686**	**—**	**187,686**
Wealth management products	**—**	**58,587**	**—**	**58,587**
Financial assets at fair value through other comprehensive income				
Debt securities	**99,912**	**394,444**	**2,159**	**496,515**
Equity investments	**—**	**422**	**1,125**	**1,547**
Loans and advances to customers designated at fair value through other comprehensive income	**—**	**128,153**	**—**	**128,153**
Derivative financial assets				
Precious metal derivatives	**—**	**17,888**	**—**	**17,888**
Foreign exchange derivatives	**—**	**6,930**	**—**	**6,930**
Others	**—**	**1,388**	**—**	**1,388**
Total	**237,730**	**882,531**	**9,228**	**1,129,489**
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	**—**	**(6,951)**	**—**	**(6,951)**
Precious metal derivatives	**—**	**(2,272)**	**—**	**(2,272)**
Others	**—**	**(998)**	**—**	**(998)**
Financial liabilities at fair value through profit or loss	**—**	**(1,178)**	**—**	**(1,178)**
Total	**—**	**(11,399)**	**—**	**(11,399)**

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

11.1 Financial instruments recorded at fair value (continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	29,022	59,963	2,486	91,471
Equity investments	8,225	520	4,756	13,501
Investment funds	56,859	—	—	56,859
Specialised asset management plans	—	160,361	30	160,391
Wealth management products	—	58,871	—	58,871
Financial assets at fair value through other comprehensive income				
Debt securities	62,527	394,860	3,681	461,068
Equity investments	—	—	625	625
Loans and advances to customers designated at fair value through other comprehensive income	—	98,311	—	98,311
Derivative financial assets				
Precious metal derivatives	—	14,080	—	14,080
Foreign exchange derivatives	—	16,606	—	16,606
Others	—	2,426	—	2,426
Total	156,633	805,998	11,578	974,209
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Precious metal derivatives	—	(1,934)	—	(1,934)
Foreign exchange derivatives	—	(15,600)	—	(15,600)
Others	—	(466)	—	(466)
Financial liabilities at fair value through profit or loss	(121)	(866)	—	(987)
Total	(121)	(18,866)	—	(18,987)

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of Level 3 financial assets and liabilities which are recorded at fair value and the movement during the period:

	Six months ended 30 June 2019				
			Financial assets at fair value through other comprehensive income		
	Derivative financial assets	**Financial assets at fair value through profit and loss**	**Debt securities**	**Equity securities**	**Total**
As at 1 January	**—**	**7,272**	**3,681**	**625**	**11,578**
— in loss	**—**	**(2,371)**	**—**	**—**	**(2,371)**
— in other comprehensive income	**—**	**—**	**(836)**	**—**	**(836)**
Purchase	**—**	**898**	**—**	**500**	**1,398**
Settlement	**—**	**145**	**(686)**	**—**	**(541)**
As at 30 June	**—**	**5,944**	**2,159**	**1,125**	**9,228**
Change in unrealised gain for the period included in profit or loss for assets/liabilities held at the end of the year	**—**	**(949)**	**—**	**—**	**(949)**

	2018				
			Financial assets at fair value through other comprehensive income		
	Derivative financial assets	Financial assets at fair value through profit and loss	Debt securities	Equity securities	Total
At 1 January	27	5,607	178	155	5,967
— in loss	—	(2,326)	—	—	(2,326)
— in other comprehensive income	—	—	266	—	266
Purchase	—	3,103	2,578	500	6,181
Addition	—	915	659	—	1,574
Settlement	(27)	(27)	—	(30)	(84)
At 31 December	—	7,272	3,681	625	11,578
Change in unrealised gain for the period included in profit or loss for assets/liabilities held at the end of the year	—	(1,361)	—	—	(1,361)

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

11.3 Transfers among levels

For the six months ended 30 June 2019, the were no transfers among Level 1, Level 2 and Level 3 of the fair value hierarchy for financial assets and liabilities of the Group.

11.4 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

(2) Financial assets measured at amortised cost other than bonds and investment securities

The estimated fair value of debt instrument investments measured at amortised cost other than bonds represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

(3) Financial assets measured at amortised cost-bonds

The fair value for financial assets measured at amortised cost-bonds which measured in cost is based on "bid" market prices or brokers'/dealers' price quotations. If relevant market information is not available, the fair value is based on quote price of security products with similar characteristics such as credit risk, materiality and yield.

(4) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

11.4 Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of, debt securities issued:

	30 June 2019				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Financial assets measured at amortised cost	**1,203,632**	**1,195,448**	**5,612**	**1,189,836**	**—**
Financial liabilities					
Debt securities issued	**719,323**	**721,015**	**—**	**721,015**	**—**

	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,127,231	1,112,704	6,879	1,105,825	—
Financial liabilities					
Debt securities issued	674,523	663,187	—	663,187	—

12 SUBSEQUENT EVENTS

Up to the approval date of the financial statements, the Group had no material subsequent events for disclosure.

13 COMPARATIVE FIGURES

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

Unaudited Supplementary Financial Information

For the six months ended 30 June 2019

(Expressed in millions of Renminbi, unless otherwise stated)

1 LIQUIDITY COVERAGE RATIO

	As at 30 June 2019	**Average for the six months ended 30 June 2019**	As at 31 December 2018	Average for the six months ended 30 June 2018
Liquidity coverage ratio (%) (RMB and foreign currency)	**127.67%**	**119.65%**	121.13%	96.91%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

2 CURRENCY CONCENTRATIONS

	30 June 2019			
	USD	**HKD**	**Others**	**Total**
Spot assets	**423,329**	**45,596**	**49,476**	**518,401**
Spot liabilities	**(364,778)**	**(29,220)**	**(18,595)**	**(413,694)**
Forward purchases	**746,487**	**30,658**	**900,570**	**1,677,715**
Forward sales	**(755,336)**	**(42,362)**	**(931,507)**	**(1,729,205)**
Net long position*	**49,702**	**4,672**	**(56)**	**54,318**

	31 December 2018			
	USD	HKD	Others	Total
Spot assets	407,397	49,926	54,116	511,439
Spot liabilities	(364,100)	(26,233)	(26,143)	(416,476)
Forward purchases	831,401	19,429	96,399	947,229
Forward sales	(808,991)	(40,017)	(164,803)	(1,013,811)
Net long/(short) position*	65,707	3,105	(40,431)	28,381

* The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reported periods.

(Expressed in millions of Renminbi, unless otherwise stated)

3 LOANS AND ADVANCES TO CUSTOMERS

3.1 Lifetime ECL credit-impaired loans by geographical area

	30 June 2019		31 December 2018	
	Impaired loans	**Allowance for impairment losses**	Impaired loans	Allowance for impairment losses
Head Office	**12,402**	**8,198**	10,786	7,276
Yangtze River Delta	**4,832**	**2,737**	5,579	3,239
Pearl River Delta	**4,770**	**2,916**	5,352	3,027
Bohai Rim	**9,419**	**5,811**	10,307	5,860
North-eastern Region	**4,886**	**3,283**	5,016	2,248
Central Region	**13,857**	**7,252**	12,197	5,859
Western Region	**7,099**	**4,294**	5,696	3,214
Overseas and subsidiaries	**972**	**528**	521	350
Total	**58,237**	**35,019**	55,454	31,073

3.2 Loans overdue for more than 3 months by geographical area

	30 June 2019		31 December 2018	
	Overdue loans	**Allowance for impairment losses**	Overdue loans	Allowance for impairment losses
Head Office	**12,036**	**7,772**	10,786	7,276
Yangtze River Delta	**4,120**	**2,437**	5,345	3,134
Pearl River Delta	**3,964**	**2,417**	4,625	2,785
Bohai Rim	**7,842**	**4,874**	9,452	5,454
North-eastern Region	**4,822**	**3,252**	4,124	1,967
Central Region	**13,102**	**6,761**	11,444	5,456
Western Region	**6,249**	**3,659**	5,498	3,141
Overseas and subsidiaries	**1,000**	**451**	786	369
Total	**53,135**	**31,623**	52,060	29,582

(Expressed in millions of Renminbi, unless otherwise stated)

4 INTERNATIONAL CLAIMS

	30 June 2019				
	Asia pacific excluding mainland China	**North America**	**Europe**	**Other Locations**	**Total**
Banks and other financial institutions	**29,568**	**11,788**	**22,366**	**2,664**	**66,386**
Public sector entities	**876**	**68**	**—**	**—**	**944**
Others	**63,549**	**22,841**	**24,138**	**28,165**	**138,693**
Total	**93,993**	**34,697**	**46,504**	**30,829**	**206,023**

	31 December 2018				
	Asia pacific excluding mainland China	North America	Europe	Other Locations	Total
Banks and other financial institutions	59,547	18,270	15,445	1,748	95,010
Public sector entities	3,505	137	—	—	3,642
Others	59,384	24,490	8,021	23,166	115,061
Total	122,436	42,897	23,466	24,914	213,713