中国建设银行
China Construction Bank

Half-Year Report 2020

China Construction Bank Corporation

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

Stock Code: 939 (Ordinary H-share)
4606 (Offshore Preference Share)
601939 (Ordinary A-Share)
360030 (Domestic Preference Share)

Contents

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

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

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

Definitions

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

"AML"	Anti-money laundering
"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Board"	Board of directors
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBRC"	Former China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Co., Ltd.
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Housing"	CCB Housing Services Co., Ltd.
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Investment"	CCB Financial Asset Investment Co., Ltd.
"CCB Life"	CCB Life Insurance Co., Ltd.
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB Match Plus"	An open platform leveraging FinTech to provide corporate customers with smart matchmaking services and a full range of financial solutions in cross-border transaction scenarios
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited
"CCB SMART Custody"	A comprehensive custody services brand of the Bank featuring safety, multiple choices, accuracy, reliability and technology
"'CCB Startup Station' of Inclusive Finance"	A one-stop on- and offline comprehensive service platform featuring "Finance + Incubation + Industry + Education" for startups and innovative enterprises, established by the Bank in cooperation with government departments, venture capital companies, core enterprises, research institutions and incubators with internal and external high-quality resources
"CCB Trust"	CCB Trust Co., Ltd.
"CCB Wealth Management"	CCB Wealth Management Co., Ltd.

"CCB Yunongtong"	A brand of comprehensive services provided by the Bank to support agriculture, rural areas and farmers for rural revitalisation
"Company Law"	The Company Law of the People's Republic of China
"Cross-border e+"	A one-stop cross-border financial service online innovation platform built by the Bank to support the whole processes of cross-border trade
"Cross-border Quick Loan"	An online unsecured trade financing service provided by the Bank for small and micro cross-border trade enterprises
"CSRC"	China Securities Regulatory Commission
"FITS®"	Financial Total Solutions, a comprehensive investment banking brand of the Bank incorporating a host of financial products and tools
"Group" or "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huidongni"	A one-stop mobile finance service platform built by the Bank for inclusive finance customers by using the Internet, big data, artificial intelligence and biometric technologies
"Huijin"	Central Huijin Investment Ltd.
"Huishibao"	A comprehensive settlement service platform innovatively launched by the Bank to meet the treasury management needs of niche markets and core enterprises in the supply chains
"IFRS"	International Financial Reporting Standards
"Jianguanyi"	A corporate fund supervision service of the Bank
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Pay"	An internet-based enterprise-wide mobile digital payment brand of the Bank, which provides customers with a group of comprehensive, integrated payment and settlement products
"MOF"	Ministry of Finance of the People's Republic of China
"New financial instruments standard"	*International Financial Reporting Standard No. 9 – Financial Instruments* issued by International Accounting Standards Board, which came into effect on 1 January 2018
"PBC"	The People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* and other relevant requirements promulgated by the Ministry of Finance of the People's Republic of China on 15 February 2006 and afterwards
"RMB"	Renminbi
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Grid"	State Grid Corporation of China
"WMPs"	Wealth management products
"Yangtze Power"	China Yangtze Power Co., Limited
"Yunong Quick Loan"	A loan service provided by the Bank to agriculture-related small and micro enterprises, individual businesses, new agricultural business entities and farmers based on data of agricultural production and operation

Important Notice

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

The Half-Year Report 2020 and results announcement have been reviewed and approved at the Board meeting of the Bank held on 28 August 2020. A total of 12 directors of the Bank attended the meeting in person. Due to work arrangement, Mr. Zhang Gengsheng appointed Mr. Tian Guoli as his proxy to attend and vote on his behalf, and Ms. Feng Bing appointed Mr. Zhang Qi as her proxy to attend and vote on her behalf.

As approved by the 2019 annual general meeting, the Bank distributed the 2019 cash dividend of RMB0.320 per share (including tax), totalling RMB3,070 million approximately, on 10 July 2020 to its A-share holders whose names appeared on the register of members after the close of market on 9 July 2020; it distributed the 2019 cash dividend of RMB0.320 per share (including tax), totalling RMB76,934 million approximately, on 30 July 2020 to its H-share holders whose names appeared on the register of members after the close of market on 9 July 2020. The Bank does not declare any 2020 interim dividend nor does it propose any capitalisation of capital reserve into share capital.

The Group's 2020 half-year financial statements prepared under PRC GAAP have been reviewed by Ernst & Young Hua Ming LLP and the Group's 2020 half-year financial statements prepared under IFRS have been reviewed by Ernst & Young.

The Board of China Construction Bank Corporation
28 August 2020

Mr. Tian Guoli, legal representative of the Bank, Mr. Liu Guiping, person in charge of finance and accounting of the Bank, and Mr. Zhang Yi, general manager of finance & accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this half-year report.

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

(Expressed in millions of RMB unless otherwise stated)	**For the six months ended 30 June 2020**	For the six months ended 30 June 2019	Change (%)	For the six months ended 30 June 2018
For the period				
Net interest income	**266,493**	250,436	6.41	239,486
Net fee and commission income	**80,021**	76,695	4.34	69,004
Operating income	**359,924**	344,387	4.51	322,729
Profit before provisions	**280,339**	265,966	5.40	248,200
Profit before tax	**168,773**	191,180	(11.72)	181,420
Net profit	**138,939**	155,708	(10.77)	147,465
Net profit attributable to equity shareholders of the Bank	**137,626**	154,190	(10.74)	147,027
Per share (In RMB)				
Basic and diluted earnings per share[1]	**0.55**	0.62	(11.29)	0.59
Profitability indicators (%)			Change +/(-)	
Annualised return on average assets[2]	**1.05**	1.31	(0.26)	1.31
Annualised return on average equity[1]	**12.65**	15.62	(2.97)	16.66
Net interest spread	**1.99**	2.12	(0.13)	2.20
Net interest margin	**2.14**	2.27	(0.13)	2.34
Net fee and commission income to operating income	**22.23**	22.27	(0.04)	21.38
Cost-to-income ratio[3]	**21.25**	21.93	(0.68)	22.15

1. Calculated in accordance with the *Rule No. 9 on the Preparation of Information Disclosure by Companies Offering Securities to the Public – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)* issued by CSRC, and are attributable to ordinary shareholders.
2. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then annualising the quotient.
3. Operating expenses (after deduction of taxes and surcharges) divided by operating income.

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2020**	As at 31 December 2019	Change (%)	As at 31 December 2018
At the end of the period				
Net loans and advances to customers	**15,927,785**	14,540,667	9.54	13,365,430
Total assets	**27,655,247**	25,436,261	8.72	23,222,693
Deposits from customers	**20,402,162**	18,366,293	11.08	17,108,678
Total liabilities	**25,353,930**	23,201,134	9.28	21,231,099
Total equity	**2,301,317**	2,235,127	2.96	1,991,594
Total equity attributable to equity shareholders of the Bank	**2,281,066**	2,216,257	2.92	1,976,463
Share capital	**250,011**	250,011	–	250,011
Common Equity Tier 1 capital after regulatory adjustments[1]	**2,155,008**	2,089,976	3.11	1,889,390
Tier 1 capital after regulatory adjustments[1]	**119,716**	119,716	–	79,720
Tier 2 capital after regulatory adjustments[1]	**447,629**	427,896	4.61	379,536
Total capital after regulatory adjustments[1]	**2,722,353**	2,637,588	3.21	2,348,646
Risk-weighted assets[1]	**16,383,555**	15,053,291	8.84	13,659,497
Per share (In RMB)				
Net assets per share attributable to ordinary shareholders of the Bank	**8.65**	8.39	3.10	7.59
Capital adequacy indicators (%)			Change +/(-)	
Common Equity Tier 1 ratio[1]	**13.15**	13.88	(0.73)	13.83
Tier 1 ratio[1]	**13.88**	14.68	(0.80)	14.42
Total capital ratio[1]	**16.62**	17.52	(0.90)	17.19
Total equity to total assets	**8.32**	8.79	(0.47)	8.58
Asset quality indicators (%)			Change +/(-)	
Non-performing loan (NPL) ratio	**1.49**	1.42	0.07	1.46
Allowances to NPLs[2]	**223.47**	227.69	(4.22)	208.37
Allowances to total loans[3]	**3.34**	3.23	0.11	3.04

1. Calculated in accordance with the relevant rules of the *Capital Rules for Commercial Banks (Provisional)* and the advanced capital measurement approaches, as well as relevant rules for the parallel period.
2. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the NPLs do not include the accrued interest.
3. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the total loans do not include the accrued interest.

2 Corporate Information

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

Auditors	Ernst & Young Hua Ming LLP Address: 16/F, Ernst & Young Tower, Oriental Plaza, No. 1 East Changan Avenue, Dongcheng District, Beijing Signing accountants: Wang Pengcheng, Tian Zhiyong and Feng Suoteng Ernst & Young Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal advisor as to PRC laws	Commerce & Finance Law Offices Address: 6/F, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 3/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Credit ratings	Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook Moody's: long-term "A1"/short-term "P-1"/stable outlook Fitch: long-term "A"/short-term "F1+"/stable outlook

3 Management Discussion and Analysis

3.1 Financial Review

In the first half of 2020, the global economy entered recession amid COVID-19. Volatility in international financial markets intensified, and the global leverage ratio increased further. Central banks in major economies maintained low interest rate policies, and central banks in emerging economies continued to cut interest rates.

China made notable progress in the prevention and control of the pandemic, and implemented its proactive fiscal policies in a more proactive way and prudent monetary policies in a more flexible and appropriate way. The economic growth showed strong resilience. Consumption gradually improved and showed weak recovery; the decrease in investments slowed down substantially; industrial production recovered quickly; imports and exports outperformed expectations; the trade structure continued to improve. In the first half of 2020, China's GDP decreased by 1.6% year on year but increased by 3.2% in the second quarter. Consumer price index increased by 3.8% year on year, and the trade surplus was RMB1.2 trillion.

Financial markets were stable as a whole. The transactions in money market were active. The issuing interest rates of various bonds dropped, and the amount of outstanding bond transactions and issuance increased. The stock market index continued to rebound, with transaction volume increasing year on year.

Domestic regulators strengthened supervision and management of the banking industry, enhanced supports to financial innovation, and explored the establishment of a long-term balanced mechanism between financial innovation and supervision. The financial supervision focused on the effective prevention and mitigation of systemic risks and the support for the steady development of the real economy. The banking sector operated in a stable manner on the whole and its risk was controllable. In the first half of 2020, total domestic assets of the banking industry increased by 9.8% year on year. Loans denominated in RMB rose by RMB12.09 trillion, up RMB2.42 trillion from the same period last year. The NPL ratio was 2.10% and the allowances to NPLs was 178.1%.

The pandemic had certain impacts on the source and structure of income of banks. Out of social responsibilities and with the guidance of relevant policies, commercial banks enhanced support for inclusive finance and small and micro businesses, and actively assisted businesses in resuming work and production to ensure steady economic and social development. Credit risks in certain industries and regions increased significantly, putting greater pressures on the banking industry.

In the first half of 2020, the Group coordinated the prevention and control of COVID-19 with its support to economic and social development, and improved the quality and efficiency in serving the real economy. The Group's assets and liabilities increased rapidly. Total assets reached RMB27.66 trillion, an increase of 8.72%, of which net loans and advances to customers were RMB15.93 trillion, an increase of 9.54%. Total liabilities amounted to RMB25.35 trillion, an increase of 9.28%, of which deposits from customers totalled RMB20.40 trillion, an increase of 11.08%. Net interest income increased by 6.41%, and net fee and commission income rose by 4.34%. Operating income increased by 4.51% to RMB359,924 million from the same period last year. Profit before provisions rose by 5.40% to RMB280,339 million from the same period last year. The Group implemented stringent credit grading to proactively identify new non-performing assets. The Group's NPL ratio was 1.49%, up 0.07 percentage points from the end of last year. The Group's net profit was RMB138,939 million, down 10.77% from the same period last year. Annualised return on average assets was 1.05%, annualised return on average equity was 12.65%, and total capital ratio was 16.62%.

3.1.1 Statement of Comprehensive Income Analysis

In the first half of 2020, the Group actively responded to the impact of COVID-19, and continued to improve the quality and efficiency of operation and development. In line with the forward-looking and prudent principle, the Group increased provisions for impairment losses. Profit before tax of the Group was RMB168,773 million, a decrease of 11.72% from the same period last year. Net profit was RMB138,939 million, a decrease of 10.77% from the same period last year. Key factors affecting the Group's profitability are as follows. Firstly, the growth of interest-earning assets led to a steady increase in net interest income, which increased by RMB16,057 million, or 6.41% from the same period last year. Secondly, net fee and commission income increased by RMB3,326 million, or 4.34% from the same period last year. Thirdly, operating expenses increased by 1.60% from the same period last year, mainly due to the slower progress of expenditure in the wake of COVID-19. Cost-to-income ratio was 21.25%, 0.68 percentage points lower than that for the same period last year, and continued to stay at a sound level. Fourthly, considering the impact of COVID-19, the Group increased provisions for impairment losses on loans and advances to enhance its ability to withstand risks. Impairment losses totalled RMB111,566 million, an increase of 49.18% from the same period last year.

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Change (%)
Net interest income	**266,493**	250,436	6.41
Net non-interest income	**93,431**	93,951	(0.55)
– Net fee and commission income	**80,021**	76,695	4.34
Operating income	**359,924**	344,387	4.51
Operating expenses	**(79,805)**	(78,549)	1.60
Credit impairment losses	**(111,378)**	(74,638)	49.22
Other impairment losses	**(188)**	(148)	27.03
Share of profits of associates and joint ventures	**220**	128	71.88
Profit before tax	**168,773**	191,180	(11.72)
Income tax expense	**(29,834)**	(35,472)	(15.89)
Net profit	**138,939**	155,708	(10.77)

Net interest income

In the first half of 2020, the Group's net interest income amounted to RMB266,493 million, an increase of RMB16,057 million, or 6.41% from the same period last year. Net interest income accounted for 74.04% of the operating income.

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

	Six months ended 30 June 2020			Six months ended 30 June 2019		
(In millions of RMB, except percentages)	**Average balance**	**Interest income/ expense**	**Annualised average yield/cost (%)**	Average balance	Interest income/ expense	Annualised average yield/cost (%)
Assets						
Gross loans and advances to customers	**15,368,551**	**336,605**	**4.40**	13,745,297	306,266	4.49
Financial investments	**5,583,067**	**97,783**	**3.52**	5,115,038	92,498	3.65
Deposits with central banks	**2,497,015**	**17,688**	**1.42**	2,364,732	17,606	1.50
Deposits and placements with banks and non-bank financial institutions	**1,234,119**	**13,125**	**2.14**	898,279	11,473	2.58
Financial assets held under resale agreements	**592,549**	**5,321**	**1.81**	377,396	4,603	2.46
Total interest-earning assets	**25,275,301**	**470,522**	**3.74**	22,500,742	432,446	3.88
Total allowances for impairment losses	**(518,992)**			(437,688)		
Non-interest-earning assets	**2,237,771**			2,089,345		
Total assets	**26,994,080**	**470,522**		24,152,399	432,446	
Liabilities						
Deposits from customers	**19,200,756**	**150,907**	**1.58**	17,672,434	135,768	1.55
Deposits and placements from banks and non-bank financial institutions	**2,615,364**	**27,340**	**2.10**	1,955,709	24,469	2.52
Debt securities issued	**974,021**	**16,085**	**3.32**	774,694	13,932	3.63
Borrowings from central banks	**584,285**	**9,136**	**3.14**	439,849	7,222	3.31
Financial assets sold under repurchase agreements	**53,746**	**561**	**2.10**	41,522	619	3.01
Total interest-bearing liabilities	**23,428,172**	**204,029**	**1.75**	20,884,208	182,010	1.76
Non-interest-bearing liabilities	**1,249,343**			1,193,480		
Total liabilities	**24,677,515**	**204,029**		22,077,688	182,010	
Net interest income		**266,493**			250,436	
Net interest spread			**1.99**			2.12
Net interest margin			**2.14**			2.27

In the first half of 2020, the Group launched a series of preferential measures to proactively benefit the real economy. Due to benchmark interest rate conversion of outstanding loans, the yield of loans fell. The yields of interest-earning assets, such as bond investments and deposits and placements with banks and non-bank financial institutions, were lower than that in the same period last year due to the decline in market interest rates. Deposit cost increased slightly amid fierce competition in deposit business. Net interest spread dropped to 1.99%, down 13 basis points from the same period last year; net interest margin was 2.14%, down 13 basis points from the same period last year.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the changes in interest income and expense in the first half of 2020 as compared with those of the same period last year.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	36,454	(6,115)	30,339
Financial investments	8,565	(3,280)	5,285
Deposits with central banks	1,005	(923)	82
Deposits and placements with banks and non-bank financial institutions	3,834	(2,182)	1,652
Financial assets held under resale agreements	2,158	(1,440)	718
Change in interest income	52,016	(13,940)	38,076
Liabilities			
Deposits from customers	12,371	2,768	15,139
Deposits and placements from banks and non-bank financial institutions	7,388	(4,517)	2,871
Debt securities issued	3,410	(1,257)	2,153
Borrowings from central banks	2,298	(384)	1,914
Financial assets sold under repurchase agreements	157	(215)	(58)
Change in interest expense	25,624	(3,605)	22,019
Change in net interest income	26,392	(10,335)	16,057

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

Net interest income increased by RMB16,057 million from the same period last year. Specifically, an increase of RMB26,392 million was due to the movements of average balances of assets and liabilities, and a decrease of RMB10,335 million was due to the movements of average interest rates.

Interest income

In the first half of 2020, the Group achieved interest income of RMB470,522 million, an increase of RMB38,076 million or 8.80% from the same period last year. In this amount, interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements accounted for 71.54%, 20.78%, 3.76%, 2.79% and 1.13%, respectively.

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2020**			Six months ended 30 June 2019		
	Average balance	**Interest income**	**Annualised average yield (%)**	Average balance	Interest income	Annualised average yield (%)
Corporate loans and advances	**7,576,223**	**158,880**	**4.22**	6,721,133	146,403	4.39
Short-term loans	**2,542,928**	**53,153**	**4.20**	2,119,244	44,608	4.24
Medium to long-term loans	**5,033,295**	**105,727**	**4.22**	4,601,889	101,795	4.46
Personal loans and advances	**6,189,073**	**148,705**	**4.83**	5,595,148	131,364	4.73
Short-term loans	**508,141**	**10,986**	**4.35**	472,096	10,518	4.49
Medium to long-term loans	**5,680,932**	**137,719**	**4.88**	5,123,052	120,846	4.76
Discounted bills	**490,199**	**6,419**	**2.63**	363,568	6,100	3.38
Overseas operations and subsidiaries	**1,113,056**	**22,601**	**4.08**	1,065,448	22,399	4.24
Gross loans and advances to customers	**15,368,551**	**336,605**	**4.40**	13,745,297	306,266	4.49

Interest income from loans and advances to customers amounted to RMB336,605 million, an increase of RMB30,339 million or 9.91% from the same period last year, mainly driven by increases in average balances of loans and advances to corporate and personal borrowers, especially the rapid increase of the average balance of medium to long-term loans.

Interest income from financial investments amounted to RMB97,783 million, an increase of RMB5,285 million or 5.71% from the same period last year. This was mainly because the average balance of financial investments increased by 9.15% from the same period last year.

Interest income from deposits with central banks was RMB17,688 million, remaining flat. This was mainly because the average balance of deposits with central banks increased by 5.59% from the same period last year as a result of the ample liquidity in the first half of the year.

Interest income from deposits and placements with banks and non-bank financial institutions was RMB13,125 million, an increase of RMB1,652 million or 14.40% from the same period last year. This was mainly because the average balance of deposits and placements with banks and non-bank financial institutions increased by 37.39% from the same period last year.

Interest income from financial assets held under resale agreements was RMB5,321 million, an increase of RMB718 million or 15.60% from the same period last year. This was mainly because the average balance of financial assets held under resale agreements increased by 57.01% from the same period last year.

Interest expense

In the first half of 2020, the Group's interest expense was RMB204,029 million, an increase of RMB22,019 million or 12.10% from the same period last year. In this amount, interest expense on deposits from customers accounted for 73.96%, that on deposits and placements from banks and non-bank financial institutions accounted for 13.40%, that on debt securities issued accounted for 7.88%, that on borrowings from central banks accounted for 4.48%, and that on financial assets sold under repurchase agreements accounted for 0.28% of the total.

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

	Six months ended 30 June 2020			Six months ended 30 June 2019		
(In millions of RMB, except percentages)	**Average balance**	**Interest expense**	**Annualised average cost (%)**	Average balance	Interest expense	Annualised average cost (%)
Corporate deposits	**9,358,531**	**66,110**	**1.42**	8,862,132	57,886	1.32
Demand deposits	**5,899,071**	**23,370**	**0.78**	5,842,292	21,729	0.75
Time deposits	**3,459,460**	**42,740**	**2.48**	3,019,840	36,157	2.41
Personal deposits	**9,316,009**	**80,060**	**1.73**	8,330,099	72,624	1.76
Demand deposits	**4,363,609**	**6,717**	**0.30**	3,353,838	5,062	0.30
Time deposits	**4,952,400**	**73,343**	**2.98**	4,976,261	67,562	2.74
Overseas operations and subsidiaries	**526,216**	**4,737**	**1.81**	480,203	5,258	2.21
Total deposits from customers	**19,200,756**	**150,907**	**1.58**	17,672,434	135,768	1.55

Interest expense on deposits from customers was RMB150,907 million, an increase of RMB15,139 million or 11.15% from the same period last year, mainly because the average balance of deposits from customers rose by 8.65% and the average cost increased by three basis points from the same period last year. Due to intense market competition, the average cost of domestic corporate deposits rose by ten basis points from the same period last year. The Group proactively explored digitalised operation, and expanded customers and deposits systematically from a network perspective. As a result, the average cost of personal deposits decreased by three basis points from the same period last year.

Interest expense on deposits and placements from banks and non-bank financial institutions increased by RMB2,871 million or 11.73% from the same period last year to RMB27,340 million. This was mainly because the average balance of deposits and placements from banks and non-bank financial institutions increased by 33.73% from the same period last year.

Interest expense on debt securities issued was RMB16,085 million, an increase of RMB2,153 million or 15.45% from the same period last year, mainly because the average balance of debt securities issued, including eligible Tier 2 capital bonds and certificates of deposits, increased by 25.73% from the same period last year.

Interest expense on borrowings from central banks increased by RMB1,914 million or 26.50% from the same period last year to RMB9,136 million, mainly because the average balance of borrowings from central banks increased by 32.84% from the same period last year.

Interest expense on financial assets sold under repurchase agreements was RMB561 million, down RMB58 million or 9.37% from the same period last year, mainly because the average cost of financial assets sold under repurchase agreements decreased by 91 basis points from the same period last year.

Net non-interest income

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Change (%)
Fee and commission income	**88,755**	84,167	5.45
Fee and commission expense	**(8,734)**	(7,472)	16.89
Net fee and commission income	**80,021**	76,695	4.34
Other net non-interest income	**13,410**	17,256	(22.29)
Total net non-interest income	**93,431**	93,951	(0.55)

In the first half of 2020, the Group's net non-interest income were RMB93,431 million, a decrease of RMB520 million or 0.55% from the same period last year, and accounted for 25.96% of operating income.

Net fee and commission income

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Change (%)
Fee and commission income	**88,755**	84,167	5.45
Bank card fees	**26,532**	26,184	1.33
Electronic banking service fees	**14,308**	12,263	16.68
Agency service fees	**10,053**	10,863	(7.46)
Commission on trust and fiduciary activities	**9,491**	8,617	10.14
Consultancy and advisory fees	**7,989**	6,584	21.34
Settlement and clearing fees	**7,574**	6,998	8.23
Wealth management service fees	**7,376**	7,450	(0.99)
Guarantee fees	**1,952**	1,818	7.37
Credit commitment fees	**755**	883	(14.50)
Others	**2,725**	2,507	8.70
Fee and commission expense	**(8,734)**	(7,472)	16.89
Net fee and commission income	**80,021**	76,695	4.34

In the first half of 2020, on the one hand, the Group focused on market changes and customer demand, and optimised financial services; on the other hand, it actively supported COVID-19 prevention and control, and further promoted the reduction and exemption of service charges. Net fee and commission income rose by RMB3,326 million or 4.34% from the same period last year to RMB80,021 million. The ratio of net fee and commission income to operating income was 22.23%, down 0.04 percentage points from the same period last year.

The Group deepened the deployment of consumption scenarios and actively promoted bank cards business to acquire and activate customers in a systematic and network-based manner. Bank card fees reached RMB26,532 million, up 1.33%. With continuous improvement of platform ecology and user experience, the number of online banking customers and online payment transaction volume increased steadily, and electronic banking service fees reached RMB14,308 million, up 16.68%. Agency service fees decreased by 7.46% to RMB10,053 million. Specifically, the income from agency insurance services fell in the wake of COVID-19, while the income from agency fund sales grew rapidly as the Group seized market opportunity and strengthened product screening and targeted customer marketing. The Group actively promoted innovation in custody business, cultivated the brand of “CCB SMART Custody”, and realised the rapid growth of assets under custody. Commission on trust and fiduciary activities reached RMB9,491 million, up 10.14%. It provided targeted advisory services for customers in batches. Consultancy and advisory fees reached RMB7,989 million, up 21.34%. The income of international settlement increased rapidly year on year as the Group provided financial supports for foreign trade enterprises to resume work and production and expanded its trade finance business. Settlement and clearing fees reached RMB7,574 million, up 8.23%. The Group accelerated the transformation of its asset management model, and issued more net-asset-value type WMPs. As a result, the management fee rate dropped along with the market. Wealth management service fees reached RMB7,376 million, down 0.99%.

Other net non-interest income

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Change (%)
Net gain arising from investment securities	**3,984**	6,541	(39.09)
Net trading gain	**3,313**	4,858	(31.80)
Dividend income	**1,496**	414	261.35
Net gain on derecognition of financial assets measured at amortised cost	**1,381**	1,435	(3.76)
Other net operating income	**3,236**	4,008	(19.26)
Total other net non-interest income	**13,410**	17,256	(22.29)

Other net non-interest income of the Group was RMB13,410 million, a decrease of RMB3,846 million, or 22.29% from the same period last year. In this amount, net gain arising from investment securities was RMB3,984 million, a decrease of RMB2,557 million from the same period last year, mainly due to the high volume of gains on fair value changes of equity investments of subsidiaries during the same period last year; net trading gain was RMB3,313 million, a decrease of RMB1,545 million from the same period last year, mainly due to the decrease in the size of investments held for trading; dividend income was RMB1,496 million, an increase of RMB1,082 million from the same period last year, mainly due to the sharp increase in equity investment dividends held by CCB Investment; other net operating income was RMB3,236 million, a decrease of RMB772 million from the same period last year, mainly due to the decline in the size of foreign exchange swaps for hedging and changes in short and long positions at overseas branches.

Operating expenses

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

(In millions of RMB, except percentages)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Staff costs	**45,257**	46,392
Premises and equipment expenses	**16,214**	15,287
Taxes and surcharges	**3,336**	3,031
Others	**14,998**	13,839
Total operating expenses	**79,805**	78,549
Cost-to-income ratio (%)	**21.25**	21.93

In the first half of 2020, the Group continuously strengthened cost management and optimised expenses structure. Cost-to-income ratio dropped by 0.68 percentage points from the same period last year to 21.25%, and continued to stay at a sound level. Operating expenses were RMB79,805 million, an increase of RMB1,256 million or 1.60% from the same period last year. In this amount, staff costs were RMB45,257 million, a decrease of RMB1,135 million or 2.45% from the same period last year, mainly due to the substantial year-on-year decrease in expenses of five types of social insurance (pension, medical, work-related injury, maternity and unemployment) after the implementation of the phased policy of reduction and exemption of social insurance payment during the period of COVID-19 prevention and control; premises and equipment expenses were RMB16,214 million, an increase of RMB927 million or 6.06% from the same period last year; taxes and surcharges were RMB3,336 million, an increase of RMB305 million or 10.06% from the same period last year; other operating expenses were RMB14,998 million, an increase of RMB1,159 million or 8.37% from the same period last year, mainly because the Group proactively supported digitalised operation and strategy implementation, and enhanced its marketing and customer development efforts.

Impairment losses

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

(In millions of RMB)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Loans and advances to customers	**105,534**	69,787
Financial investments	**2,829**	2,972
Financial assets measured at amortised cost	**2,688**	1,311
Financial assets measured at fair value through other comprehensive income	**141**	1,661
Others	**3,203**	2,027
Total impairment losses	**111,566**	74,786

In the first half of 2020, the Group's total impairment losses were RMB111,566 million, an increase of RMB36,780 million or 49.18% from the same period last year. This was mainly because impairment losses on loans and advances to customers increased by RMB35,747 million and other impairment losses increased by RMB1,176 million from the same period last year. Impairment losses on financial investments totalled RMB2,829 million, down RMB143 million from the same period last year. Specifically, impairment losses on financial assets measured at amortised cost increased by RMB1,377 million, or 105.03%, over the same period last year, mainly due to the increase in the size of bonds measured at amortised cost over the same period last year, as well as the rise in corresponding provisioning ratio. Impairment losses on financial assets measured at fair value through other comprehensive income decreased by RMB1,520 million from the same period last year, mainly because the provisions for country risk decreased from the same period last year due to the decrease of the volume of bonds with high country risk.

Income tax expense

In the first half of 2020, income tax expense was RMB29,834 million, a decrease of RMB5,638 million from the same period last year. The effective income tax rate was 17.68%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

3.1.2 Statement of Financial Position Analysis

Assets

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Loans and advances to customers	**15,927,785**	**57.59**	14,540,667	57.17
Loans and advances to customers measured at amortised cost	**16,004,076**	**57.87**	14,479,931	56.93
Allowances for impairment losses on loans	**(546,361)**	**(1.98)**	(482,158)	(1.90)
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**413,419**	**1.49**	492,693	1.94
The carrying amount of loans and advances to customers measured at fair value through profit or loss	**12,965**	**0.05**	15,282	0.06
Accrued interest	**43,686**	**0.16**	34,919	0.14
Financial investments	**6,738,401**	**24.37**	6,213,241	24.43
Cash and deposits with central banks	**2,465,389**	**8.91**	2,621,010	10.30
Deposits and placements with banks and non-bank financial institutions	**1,344,358**	**4.86**	950,807	3.74
Financial assets held under resale agreements	**452,258**	**1.64**	557,809	2.19
Others[1]	**727,056**	**2.63**	552,727	2.17
Total assets	**27,655,247**	**100.00**	25,436,261	100.00

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

At the end of June, the Group's total assets amounted to RMB27.66 trillion, an increase of RMB2,218,986 million or 8.72% from the end of last year. The Group proactively assisted in the prevention and control of COVID-19 and the resumption of work and production, and actively increased credit supply to accurately and effectively support key areas and weak links in the real economy. Net loans and advances to customers increased by RMB1,387,118 million or 9.54% from the end of last year. The Group supported the implementation of proactive fiscal policies. Financial investments increased by RMB525,160 million or 8.45% from the end of last year. Due to the PBC's cuts in required reserve ratio, cash and deposits with central banks decreased by RMB155,621 million or 5.94% from the end of last year. The Group adjusted the size and structure of liquidity reserves based on its fund position. Deposits and placements with banks and non-bank financial institutions increased by RMB393,551 million from the end of last year. Financial assets held under resale agreements decreased by RMB105,551 million. As a result, in the total assets, the proportion of net loans and advances to customers increased by 0.42 percentage points to 57.59%, that of financial investments decreased by 0.06 percentage points to 24.37%, that of cash and deposits with central banks decreased by 1.39 percentage points to 8.91%, that of deposits and placements with banks and non-bank financial institutions increased by 1.12 percentage points to 4.86%, and that of financial assets held under resale agreements decreased by 0.55 percentage points to 1.64%.

Loans and advances to customers

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate loans and advances	8,069,329	48.98	6,959,844	46.33
Short-term loans	2,687,756	16.31	2,205,697	14.68
Medium to long-term loans	5,381,573	32.67	4,754,147	31.65
Personal loans and advances	6,866,895	41.68	6,477,352	43.12
Residential mortgages	5,591,157	33.94	5,305,095	35.31
Credit card loans	774,595	4.70	741,197	4.94
Personal consumer loans	255,845	1.55	189,588	1.26
Personal business loans	57,837	0.35	44,918	0.30
Other loans[1]	187,461	1.14	196,554	1.31
Discounted bills	413,419	2.51	492,693	3.28
Overseas operations and subsidiaries	1,080,817	6.56	1,058,017	7.04
Accrued interest	43,686	0.27	34,919	0.23
Gross loans and advances to customers	16,474,146	100.00	15,022,825	100.00

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

At the end of June, the Group's gross loans and advances to customers were RMB16,474,146 million, an increase of RMB1,451,321 million or 9.66% from the end of last year, mainly driven by the increase of domestic loans of the Bank.

Corporate loans and advances reached RMB8,069,329 million, an increase of RMB1,109,485 million or 15.94% from the end of last year, mainly extended to key sectors, such as infrastructure and manufacturing. In this amount, short-term loans were RMB2,687,756 million and medium to long-term loans were RMB5,381,573 million.

Personal loans and advances reached RMB6,866,895 million, an increase of RMB389,543 million or 6.01% from the end of last year. In this amount, residential mortgages experienced an increase of RMB286,062 million or 5.39% to RMB5,591,157 million; credit card loans were RMB774,595 million, an increase of RMB33,398 million or 4.51%; personal consumer loans rose by RMB66,257 million or 34.95% to RMB255,845 million from the end of last year.

Discounted bills reached RMB413,419 million, a decrease of RMB79,274 million or 16.09% from the end of last year.

Loans and advances made by overseas operations and subsidiaries were RMB1,080,817 million, an increase of RMB22,800 million or 2.15% from the end of last year.

Distribution of loans by type of collateral

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

(In millions of RMB, except percentages)	**As at 30 June 2020**		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Unsecured loans	**5,573,746**	**33.82**	4,959,932	33.02
Guaranteed loans	**2,172,130**	**13.19**	1,920,411	12.78
Loans secured by property and other immovable assets	**7,320,982**	**44.44**	6,875,286	45.77
Other pledged loans	**1,363,602**	**8.28**	1,232,277	8.20
Accrued interest	**43,686**	**0.27**	34,919	0.23
Gross loans and advances to customers	**16,474,146**	**100.00**	15,022,825	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	**Six months ended 30 June 2020**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020	**240,027**	**92,880**	**149,251**	**482,158**
Transfers:				
Transfers in/(out) to Stage 1	**1,892**	**(1,696)**	**(196)**	**–**
Transfers in/(out) to Stage 2	**(7,893)**	**8,698**	**(805)**	**–**
Transfers in/(out) to Stage 3	**(1,130)**	**(17,540)**	**18,670**	**–**
Newly originated or purchased financial assets	**92,520**	**–**	**–**	**92,520**
Transfer out/repayment	**(52,039)**	**(5,106)**	**(25,021)**	**(82,166)**
Remeasurements	**11,080**	**29,403**	**35,703**	**76,186**
Write-off	**–**	**–**	**(26,876)**	**(26,876)**
Recoveries of loans and advances written off	**–**	**–**	**4,539**	**4,539**
As at 30 June 2020	**284,457**	**106,639**	**155,265**	**546,361**

The Group made provisions for impairment losses in line with changes in the quality of its credit assets. At the end of June, the allowances for impairment losses on loans and advances measured at amortised cost were RMB546,361 million. In addition, the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income were RMB2,300 million.

The Group adopted a "three-stage" model for loans based on whether the credit risk of a financial instrument has increased significantly since initial recognition. The Group continued to make judgment based on substantive risks, and considered operations and repayment capacity of borrowers comprehensively, as well as any changes in the impact of COVID-19 on these borrowers, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition. In line with the guidelines of the International Accounting Standards Board and other regulators, the Group did not consider the temporary deferral of principal repayment and interest payment in the wake of COVID-19 as an automatic trigger of the significant increase of credit risk. The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group used the forecasts made by renowned external institutions and internal departments to determine predicted values of forward-looking key economic variables related to expected credit losses, such as GDP and consumer price index, in baseline scenario, and set predicted values in optimistic and pessimistic scenarios based on fluctuations of predicted values in baseline scenario. Expected credit losses were calculated by discounting the weighted average of product of probability of defaults, loss given defaults and exposure at default in optimistic, baseline and pessimistic scenarios. Please refer to Note "Loans and advances to customers" to the financial statements for details of allowances for impairment losses on loans.

Financial investments

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Financial assets measured at fair value through profit or loss	**681,550**	**10.12**	675,361	10.87
Financial assets measured at amortised cost	**4,145,782**	**61.52**	3,740,296	60.20
Financial assets measured at fair value through other comprehensive income	**1,911,069**	**28.36**	1,797,584	28.93
Total financial investments	**6,738,401**	**100.00**	6,213,241	100.00

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

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Debt securities	**6,342,087**	**94.12**	5,846,133	94.09
Equity instruments and funds	**200,952**	**2.98**	184,739	2.97
Other debt instruments	**195,362**	**2.90**	182,369	2.94
Total financial investments	**6,738,401**	**100.00**	6,213,241	100.00

At the end of June, the Group's financial investments totalled RMB6,738,401 million, an increase of RMB525,160 million or 8.45% from the end of last year. In this amount, debt securities investments increased by RMB495,954 million or 8.48% from the end of last year, and accounted for 94.12% of total financial investments, up 0.03 percentage points from the end of last year; equity instruments and funds increased by RMB16,213 million from the end of last year, and accounted for 2.98% of total investments, an increase of 0.01 percentage points from the end of last year. Other debt instruments, mainly including deposits with banks and non-bank financial institutions, credit assets and debt securities that the Bank held through issuance of on-balance sheet principal-guaranteed WMPs, increased by RMB12,993 million, with its proportion in total financial investments down to 2.90%.

Debt securities investments

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
RMB	**6,080,021**	**95.87**	5,572,754	95.32
USD	**178,454**	**2.81**	178,717	3.06
HKD	**25,005**	**0.40**	36,356	0.62
Other foreign currencies	**58,607**	**0.92**	58,306	1.00
Total debt securities investments	**6,342,087**	**100.00**	5,846,133	100.00

At the end of June, investments in RMB debt securities totalled RMB6,080,021 million, an increase of RMB507,267 million or 9.10% from the end of last year. Investments in foreign-currency debt securities were RMB262,066 million, a decrease of RMB11,313 million or 4.14% from the end of last year.

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

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	Amount	**% of total**	Amount	% of total
Governments	**4,763,217**	**75.10**	4,258,718	72.85
Central banks	**27,585**	**0.43**	40,792	0.70
Policy banks	**796,976**	**12.57**	780,481	13.35
Banks and non-bank financial institutions	**333,337**	**5.26**	339,230	5.80
Others	**420,972**	**6.64**	426,912	7.30
Total debt securities investments	**6,342,087**	**100.00**	5,846,133	100.00

At the end of June, debt securities investments issued by governments were RMB4,763,217 million, an increase of RMB504,499 million or 11.85% from the end of last year. Total debt securities investments issued by central banks, policy banks, banks and non-bank financial institutions were RMB1,157,898 million, approximately flat with the end of last year, with a slight decrease in their proportion in total.

Financial debt securities

At the end of June, the Group held financial debt securities issued by financial institutions totalling RMB1,130,313 million. In this amount, RMB796,976 million was issued by policy banks and RMB333,337 million was issued by banks and non-bank financial institutions, which accounted for 70.51% and 29.49% respectively. Adhering to its prudent and reasonable principle, the Group made provisions for impairment losses on financial debt securities measured at amortised cost with no significant increase of credit risk in accordance with the new financial instruments standard.

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

(In millions of RMB, except percentages)	**Par value**	**Annual interest rate (%)**	**Maturity date**	**Allowances for impairment losses**
Policy bank bond issued in 2019	**17,728**	**3.86**	**2029-05-20**	**9.76**
Policy bank bond issued in 2019	**17,440**	**3.75**	**2029-01-25**	**9.60**
Policy bank bond issued in 2019	**14,686**	**3.48**	**2029-01-08**	**1.71**
Policy bank bond issued in 2018	**12,850**	**4.00**	**2025-11-12**	**7.27**
Policy bank bond issued in 2018	**11,954**	**3.76**	**2023-08-14**	**1.53**
Policy bank bond issued in 2019	**11,918**	**3.74**	**2029-07-12**	**6.45**
Policy bank bond issued in 2020	**11,820**	**2.96**	**2030-04-17**	**5.77**
Policy bank bond issued in 2014	**11,540**	**5.67**	**2024-04-08**	**1.50**
Policy bank bond issued in 2014	**11,370**	**5.79**	**2021-01-14**	**1.47**
Policy bank bond issued in 2018	**11,220**	**4.15**	**2025-10-26**	**1.47**

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

Repossessed assets

As part of its efforts to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of June, the Group's repossessed assets were RMB2,192 million, and the balance of impairment allowances for repossessed assets was RMB1,152 million. Please refer to Note "Other assets" to the financial statements for details.

Liabilities

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**20,402,162**	**80.47**	18,366,293	79.16
Deposits and placements from banks and non-bank financial institutions	**2,227,452**	**8.79**	2,194,251	9.46
Debt securities issued	**913,863**	**3.60**	1,076,575	4.64
Borrowings from central banks	**592,967**	**2.34**	549,433	2.37
Financial assets sold under repurchase agreements	**124,898**	**0.49**	114,658	0.49
Other liabilities[1]	**1,092,588**	**4.31**	899,924	3.88
Total liabilities	**25,353,930**	**100.00**	23,201,134	100.00

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

The Group continued to expand core liabilities and optimise liability structure. At the end of June, the Group's total liabilities were RMB25.35 trillion, an increase of RMB2,152,796 million or 9.28% from the end of last year. In this amount, deposits from customers amounted to RMB20.40 trillion, up RMB2,035,869 million or 11.08% from the end of last year; deposits and placements from banks and non-bank financial institutions increased by RMB33,201 million or 1.51% from the end of last year to RMB2,227,452 million, primarily due to the increase in settlement funds such as deposits from securities and mutual funds companies; debt securities issued were RMB913,863 million, a decrease of RMB162,712 million or 15.11% from the end of last year, mainly because certificates of deposit issued were not renewed upon maturity; borrowings from central banks were RMB592,967 million, an increase of 7.92% from the end of last year. Accordingly, in the Group's total liabilities, deposits from customers accounted for 80.47% of total liabilities, an increase of 1.31 percentage points from the end of last year; deposits and placements from banks and non-bank financial institutions accounted for 8.79% of total liabilities, a decrease of 0.67 percentage points from the end of last year; debt securities issued accounted for 3.60% of total liabilities, a decrease of 1.04 percentage points from the end of last year; borrowings from central banks accounted for 2.34% of total liabilities, a decrease of 0.03 percentage points from the end of last year.

Deposits from customers

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Corporate deposits	**9,867,425**	**48.36**	8,941,848	48.69
Demand deposits	**6,434,189**	**31.53**	5,927,636	32.28
Time deposits	**3,433,236**	**16.83**	3,014,212	16.41
Personal deposits	**9,762,389**	**47.85**	8,706,031	47.40
Demand deposits	**4,557,849**	**22.34**	4,100,088	22.32
Time deposits	**5,204,540**	**25.51**	4,605,943	25.08
Overseas operations and subsidiaries	**536,172**	**2.63**	510,907	2.78
Accrued interest	**236,176**	**1.16**	207,507	1.13
Total deposits from customers	**20,402,162**	**100.00**	18,366,293	100.00

The Group adhered to expanding customer base in a systematic and network-based manner, and enhanced ability to absorb settlement funds and stable funds. At the end of June, domestic corporate deposits of the Bank were RMB9,867,425 million, an increase of RMB925,577 million or 10.35% from the end of last year. Domestic personal deposits of the Bank were RMB9,762,389 million, an increase of RMB1,056,358 million or 12.13% from the end of last year which accounted for 49.73% of domestic deposits from customers, up 0.40 percentage points from the end of last year. Domestic demand deposits were RMB10,992,038 million, an increase of RMB964,314 million or 9.62% from the end of last year, which accounted for 56.00% of domestic deposits from customers, a decrease of 0.82 percentage points from the end of last year. Domestic time deposits were RMB8,637,776 million, an increase of RMB1,017,621 million or 13.35% from the end of last year, and accounted for 44.00% of domestic deposits from customers. Deposits from overseas operations and subsidiaries were RMB536,172 million, an increase of RMB25,265 million, accounting for 2.63% of total deposits from customers.

Debt securities issued

The Bank issued no corporate debt securities that were required to be disclosed in accordance with *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 – Contents and Formats of Half-Year Annual Reports (2017 Revision)* and *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 39 – Contents and Formats of Half-Year Reports on Corporate Debt Securities*. Please refer to Note "Debt securities issued" to the financial statements for details.

Shareholder's equity

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

(In millions of RMB)	**As at 30 June 2020**	As at 31 December 2019
Share capital	**250,011**	250,011
Other equity instruments	**119,627**	119,627
– preference shares	**79,636**	79,636
– perpetual bonds	**39,991**	39,991
Capital reserve	**134,537**	134,537
Other comprehensive income	**39,173**	31,986
Surplus reserve	**249,178**	249,178
General reserve	**314,521**	314,389
Retained earnings	**1,174,019**	1,116,529
Total equity attributable to equity shareholders of the Bank	**2,281,066**	2,216,257
Non-controlling interests	**20,251**	18,870
Total equity	**2,301,317**	2,235,127

At the end of June, the Group's equity was RMB2,301,317 million, an increase of RMB66,190 million or 2.96% from the end of last year, primarily driven by the increase of RMB57,490 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the Group dropped to 8.32%, down 0.47 percentage points.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. Please refer to Note "Derivatives and hedge accounting" to the financial statements for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigation and disputes. Specifically, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of June, credit commitments balance was RMB3,335,740 million, an increase of RMB249,933 million or 8.10% from the end of last year. Please refer to Note "Commitments and contingent liabilities" to the financial statements for details on commitments and contingent liabilities.

3.1.3 Other Financial Information

There is no difference in the net profit for the six months ended 30 June 2020 or total equity as at 30 June 2020 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

3.2 Business Review

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

The following table sets forth, for the periods indicated, the operating income, impairment losses, and profit before tax of each major business segment.

	Operating income		Impairment losses		Profit before tax	
(In millions of RMB)	**Six months ended 30 June 2020**	Six months ended 30 June 2019	**Six months ended 30 June 2020**	Six months ended 30 June 2019	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Corporate banking	**143,805**	134,347	**(82,207)**	(61,897)	**32,425**	43,876
Personal banking	**156,250**	133,277	**(22,717)**	(9,309)	**95,742**	85,889
Treasury business	**48,042**	55,228	**(2,316)**	(2,544)	**40,799**	47,738
Others	**11,827**	21,535	**(4,326)**	(1,036)	**(193)**	13,677
Total	**359,924**	344,387	**(111,566)**	(74,786)	**168,773**	191,180

In the first half of 2020, operating income of Group's corporate banking business reached RMB143,805 million, up 7.04%, mainly due to the increase in net interest income driven by the growth of loans; impairment losses reached RMB82,207 million, up 32.81%; profit before tax was RMB32,425 million, down 26.10%, accounting for 19.21% of the Group's profit before tax, down 3.74 percentage points from the same period of 2019. Operating income of personal banking business reached RMB156,250 million, up 17.24%, mainly due to significant increase in net interest income; impairment losses were RMB22,717 million, up 144.03%; profit before tax totalled RMB95,742 million, up 11.47%, accounting for 56.73% of the total at the group level, up 11.80 percentage points over the same period of 2019. Operating income of treasury business totalled RMB48,042 million, down 13.01%, mainly due to the decrease in net interest income as affected by changes in internal and external interest rates; impairment losses were RMB2,316 million, down 8.96%; profit before tax totalled RMB40,799 million, down 14.54%, leading to a slightly lower proportion of the total at the group level. Other operating income totalled RMB11,827 million, down 45.08%, impairment losses rose substantially, and profit before tax totalled negative RMB193 million.

Impact of COVID-19 pandemic and the Group's main counter-measures

Since the beginning of 2020, COVID-19 has been spreading around the world, and has significantly impacted the global economy. It seriously hit international economic and trade activities and global industrial chain, and led to greater volatility in global financial market. In China, the overall situation is improving under effective prevention and control of COVID-19. In the first half of 2020, China's GDP declined by 1.6% year on year. In the first quarter, the GDP decreased by 6.8% year-on-year, but increased by 3.2% in the second quarter. However, COVID-19 is still serious around the world and remains a challenge to China's economy through imported risks, while the production and operation arrangements of domestic enterprises are subject to risks of COVID-19 resurgence. With less demand at home and abroad, the real economy, especially small and medium-sized businesses, is facing considerable difficulty. The pandemic imposes higher requirements on banks' operation, management and internal control with its impact on the development of banking business, pressure on their asset quality and challenges for the stable operation of their systems.

The Group adhered to the concept of prudent operation, actively shouldered responsibilities as a large bank, supported COVID-19 prevention and control as well as economic and social development, and strove to achieve high quality development. In response to COVID-19 impacts, the Group took the following counter-measures:

Ensuring the smooth operation of business. The Group set up a leading team for COVID-19 prevention and control, and tightened management on internal controls to strengthen its organisational structure and mechanism for fighting against COVID-19. It enhanced its analysis of risks including credit risk and liquidity risk, and strengthened the unified credit risk control at the group level. It enhanced business continuity management, information communication and internal audit, and improved internal control measures such as rules, regulations and IT systems. The Group strengthened prevention and control of COVID-19 in domestic and overseas institutions, ensured the provision of various prevention supplies, and strengthened the care and safety protection of its associates. It quickly started teleworking mode of the uniform staff platform, deployed more robotic process automation (RPA) applications, and took flexible working arrangements such as working from home, rotating shifts and staggered shifts. While trying its best to ensure the health of its associates, it managed to maintain the smooth operation of various businesses in the wake of COVID-19.

Increasing credit resources inputs. Driven by its own social responsibilities and guidance of relevant national policies, the Group coordinated the prevention and control of COVID-19 and the support for economic and social development, strengthened credit risk control and improved the efficiency of credit approval. It continued to optimise its credit structure, consolidated its strengths in infrastructure sector, vigorously supported the development of inclusive finance and the upgrading of manufacturing industry, and promoted the steady development of green finance and strategic emerging industries. At the end of June 2020, the Group's gross loans and advances to customers increased by RMB1.45 trillion or 9.66% over the end of 2019, and domestic corporate loans and advances of the Bank increased by 15.94%. The Bank actively supported the prevention and control of COVID-19 and the resumption of work and production by granting credit funds of RMB119,484 million to more than 10,000 key enterprises engaging in COVID-19 prevention and control in the first half of 2020. It supported the collaborative resumption of work and production of industrial chain by extending network supply chain loans of RMB230,081 million accumulatively in the first half of 2020. The Bank strongly supported the infrastructure construction in weak areas with loans to infrastructure sectors increasing by RMB421,293 million, or 11.44%, over the end of 2019. The Bank promoted the high-quality development of the manufacturing industry with loans to the manufacturing industry increasing by RMB211,434 million, or 19.57%, over the end of 2019. The Bank assisted in the shift from old growth engines to new economic drivers with the balance of green loans increasing by RMB118,504 million, or 10.08%, over the end of 2019.

Pressing ahead with FinTech to empower business development. COVID-19 accelerated the Group's deployment of online financial services. The Group adhered to digitalised operation, and constantly promoted online and smart businesses. It leveraged its technology accumulation of the "New Generation Core Banking System" and advantages of early online deployment, and carried out rapid research and development and agile production. It provided 24-hour online services via mobile banking, online banking and WeChat banking, and proactively met customers' diversified financial needs through digital approaches such as "Cloud Workshop", "Huizhuni" and "Mobile Outlets". It established an enterprise-wide cloud-based production platform, promoted the implementation of projects such as overseas business, authorisation and review, and cloud-based approval. It launched the "Online Enterprise Operation and Management Toolbox", which integrated seven types of services, including "portal development, customer acquisition, operation management, salary payment, cloud-based customer service, quick financing, and zone management" to help enterprises quickly resume production. It launched the "Online Grocery Basket" service for the convenience of people's daily life in the wake of COVID-19.

Improving the digitalised ability of prevention and control of COVID-19. Relying on its in-house FinTech platform, the Group vigorously promoted digitalised operation and services in the wake of COVID-19, and actively provided online services and technical solutions related to prevention and control of COVID-19 for local governments, enterprises and institutions. It launched an innovative "CCB Smart Community Management Platform" that integrated national health code and assisted urban and rural communities in building the "Online+Offline" multi-dimensional COVID-19 prevention and control system. The platform had 2,464,800 online communities and enterprises in China, with a total of 51,068,800 users. To meet the needs for COVID-19 prevention and control in Hubei Province, the Bank developed a medical supplies support and management system, which achieved whole-process online management of medical supplies from demand management, multi-channel procurement, centralised distribution to final confirmation of receipt.

Taking multiple measures to make profit concessions to support the real economy. The Group took the lead in launching "Ten Measures" of financial services to support prevention and control of COVID-19, and "Twenty Measures" for caring staff in banking outlets immediately after the outbreak of COVID-19. With the development of COVID-19 prevention and control, the Bank successively issued 99 measures to support the containment efforts and the resumption of work and production, strengthen financial services for medium, small and micro businesses, support Hubei region, and stabilise foreign trade and foreign investment, providing strong policy support for the prevention and control of COVID-19 and the fast recovery of the real economy. On the basis of the original service fee reduction measures, the Group increased its reduction and exemption efforts. It accurately supported key enterprises engaging in COVID-19 prevention and control, and provided preferential interest rates for loans to enterprises on the list. In the first half of 2020, the interest rate on inclusive loans decreased by 63 basis points year on year. The Bank granted temporary deferral of principal and interest payment for more than 150,000 eligible medium, small and micro businesses that encountered temporary liquidity difficulties.

Making sufficient provisions prudently. The Group prudently assessed the impact of COVID-19 on asset quality in order to reveal its actual risk position and mitigate and absorb the risks accordingly. At the end of June 2020, the Group's NPL ratio went up by 0.07 percentage points to 1.49% over the end of 2019. The special mention loans accounted for 2.99% of the total loans, up 0.06 percentage points over the end of 2019. The Group intensified its efforts in non-performing asset disposal to get better prepared for further risk mitigation. In the first half of 2020, the Group wrote off NPLs of RMB26,876 million, a year-on-year increase of RMB1,535 million. The Group fully considered possible economic downturn when measuring expected credit losses, and prudently made provisions to improve its ability to offset risks. At the end of June 2020, the Group's provisions for credit impairment losses reached RMB111,378 million, an increase of RMB36,740 million, or 49.22%, over the same period of 2019. Allowances to total loans was 3.34% and allowances to NPLs was 223.47%, staying at a relatively high level.

Donating funds and materials to support the global fight against COVID-19. The Group continued to donate funds and materials at home and abroad to support the world's concerted efforts in fighting against COVID-19. By the end of June 2020, donations from the Group and its associates had reached RMB310 million, which includes 2.03 million pieces of masks, protective clothing, ventilators, medical gloves and other materials to countries and regions severely affected by COVID-19.

3.2.1 Promotion of Three Major Strategies

House rental strategy

The Group further promoted its house rental strategy. It expanded the application of comprehensive house rental service platform, attracted more active users for the platform, and provided better services for government supervision, public rental housing management, and market-oriented apartment trading. By the end of June 2020, over 23 million apartments had been listed on the comprehensive house rental service platform, with 23.10 million registered users on a cumulative basis. The Group signed strategic cooperation agreements on the development of policy-based rental apartments with 11 pilot cities, including Guangzhou, Hangzhou and Jinan, providing a package of comprehensive services, which includes financial product support, apartment sourcing and operation, and information system support. The Group actively carried out house deposit business with the help of its subsidiary, CCB Housing, to attract more vacant real estate properties into the rental market and increase the supply of apartments for rent. The Group innovated its financial services by supporting the growth and specialised development of house rental enterprises, protected the rights and interests of landlords and tenants, and maintained the smooth operation of the rental market. It actively participated in the first pilot projects of equity trading service for domestic house rental enterprises, to explore a new mode of equity financing for them.

Inclusive finance strategy

The Group continued to improve its new mechanism of inclusive finance, and fully promoted new momentum of inclusive finance development. It delivered four online product lines, including "Quick Loan for Small and Micro Businesses", "Individual Business Quick Loan", "Yunong Quick Loan" and "Transaction Quick Loan", and provided personalised and diversified products by data integration and customer group profiling, in customer scenarios such as transaction, settlement, tax payment and procurement. The Group continued to optimise functions of the new mobile financing platform "Huidongni", and innovated the two-way communication mode between the Bank and enterprises. The Group developed and launched the "Smart Federation of Industry and Commerce" service platform, and provided scenario-oriented services such as acquiring funds, ideas, credit enhancement, benefits and technology through information interconnection with the All-China Federation of Industry and Commerce, chambers of commerce and enterprises. The Group promoted the development of "CCB Startup Station" of inclusive finance, and provided comprehensive services such as equity investment, credit financing, and entrepreneurial growth for entrepreneurial and innovative enterprises. The Group built a new risk control mode for inclusive business and a whole-process online monitoring and early warning defence line, and continuously improved its capability of model risk management. It comprehensively took multiple measures to further increase credit supports to inclusive sectors, and continuously improved service coverage to "increase the quantity, reduce the cost, improve the quality and expand the coverage" of financing services for small and micro businesses. At the end of June 2020, the balance of the inclusive finance loans of the Bank was RMB1,258,909 million, up RMB295,754 million from the end of 2019, with 1,590,700 inclusive financial loan customers, up 265,600 from the end of 2019. The average interest rate of inclusive loans granted to small and micro enterprises during the first half of 2020 was 4.41%. A total of 252 inclusive finance (small enterprise) service centres and small business centres were established.

The Group continued to increase agriculture-related loans to support COVID-19 prevention and control in rural areas and ensure the stable production and supply of agricultural products. It provided personal loans under "Yunong Quick Loan" brand, which are unsecured, completely online, and can be applied for and repaid at any time with instant approval process to benefit farmers and solve their problem of "difficult and expensive financing". It improved its rural revitalisation loan product line to further cover corporate and personal banking, on- and offline services, and actively promoted the development of rural land transfer and trading platform. "CCB Yunongtong" service outlets covered all basic financial services in rural areas on the whole. At the end of June 2020, the agriculture-related loans of the Bank reached RMB2,004,737 million, up RMB192,248 million or 10.61% from the end of 2019, including agriculture-related corporate loans of RMB1,508,475 million and agriculture-related personal loans of RMB496,262 million.

FinTech strategy

The Group promoted the development of its intelligent platforms in an orderly manner. It strengthened the development of the intelligent platform for secure operation, with 96 new security services and 39 enhanced security services. It strengthened the service capability of the artificial intelligence (AI) platform, improved 111 AI models, such as image recognition, video recognition, knowledge map and natural language processing, and applied them in many business fields. The Group completed the deployment of the private use area of big data cloud platform, significantly improved technical capabilities of real-time computing and services, and supported the development of 44 applications based on big data cloud platform at a time. It launched cloud-based corporate loans, cloud-based credit, intelligent security, journey management, and Internet of Things data service projects together, and realised the full coverage of big data platform services for government and enterprise business.

The Group supported the building of smart finance and smart ecology with FinTech. It promoted ecological construction in the new retail banking sector, provided user operation support from multiple dimensions, including user-customer management, marketing, products and services, and promoted the transformation of new retail toward digitalisation, intelligence and network. It built a new corporate banking ecology combining industry and financing, further deepened applications for supply chain customers, and built an information management system for financial institutions and an enterprise-wide middle office for related applications. The Group launched 12 applications and 12 consulting products for financial institutions. It promoted the building of intelligent channels and smart operation capabilities, and improved the quality and efficiency of channel operation services. It also promoted the comprehensive risk management and enhanced the Group's integrated and intelligent risk control capability; promoted the integration of subsidiaries as part of the Group by focusing on technology management and enablement; promoted the building of government affairs ecology and improved the capacity to support the digitalised operation of ecological platforms. At the end of June 2020, the number of technological personnel of the Group was 10,940, accounting for 2.98% of its total headcount.

3.2.2 Corporate Banking

Corporate financial service

The Bank strengthened channel capacity and scenario deployment, and enhanced its capability to acquire and reactivate customers with the help of digitalised operation. As a result, the corporate deposits grew steadily. At the end of June 2020, domestic corporate deposits of the Bank amounted to RMB9,867,425 million, up RMB925,577 million or 10.35% over the end of 2019. In this amount, demand deposits increased by 8.55%, and time deposits increased by 13.90%.

The Bank continued to optimise its credit structure to fully support the development of the real economy, and maintained steady growth of corporate loans with stable asset quality. At the end of June 2020, domestic corporate loans and advances of the Bank amounted to RMB8,069,329 million, an increase of RMB1,109,485 million or 15.94% over the end of 2019. The NPL ratio of corporate loans and advances was 2.47%, staying flat with the end of last year. The balance of loans to infrastructure sectors reached RMB4,105,304 million, an increase of RMB421,293 million or 11.44% over the end of 2019, accounting for 50.88% of domestic corporate loans and advances, with the NPL ratio of 1.40%. According to the PBC statistical standard, the balance of loans to private enterprises was RMB2.74 trillion, an increase of RMB480,728 million or 21.26% over the end of 2019. The balance of loans to strategic emerging industries was RMB568,515 million, an increase of RMB34,965 million or 6.55% over the end of 2019. The balance of property development loans amounted to RMB464,055 million, an increase of RMB67,752 million over the end of 2019. By strictly implementing list-based management, the balance of loans to overcapacity industries dropped by RMB3,760 million to RMB118,356 million from the end of 2019. In the first half of 2020, the Bank granted RMB230,081 million network supply chain loans accumulatively, with existing customers amounting to 41,206. A total of RMB51,841 million wage loans were provided to 4,458,100 migrant workers via "Mingonghui".

Institutional business

The Bank has cooperated extensively with governments at all levels in developing smart government affairs platform, so as to achieve innovative development in new forms of services for "digital government". In the process of institutional business platform development, the Bank assisted in solving the problems facing government and society and people's livelihood by building platform scenarios such as benevolent religious affairs, senior citizen caring, CCB smart campus application, CCB smart healthcare application, party and masses work services, and smart political and legal services. In the first half of 2020, the Bank established cooperative relationship with 28 provincial governments and signed 274 contracts in total. The Bank provided smart government affairs services for 13 provinces, nine cities and the Beijing-Tianjin-Hebei region, built a unified government affairs payment capacity, and established a government affairs service payment system. The services were available at all 37 branches and connected to 183 government platforms. To build a "Government Affairs Lobby for the Public", more than 75% of the outlets provided smart government affairs services, covering more than 1,000 service items.

International business

The Bank has introduced a number of measures to stabilise foreign trade and foreign investments. It continued to increase loans for foreign trade, and the balance of on- and off-balance sheet trade finance amounted to RMB579,733 million at the end of June 2020, an increase of 37.75% over the end of last year. The Bank innovatively launched "CCB Match Plus", a smart cross-border matchmaking platform helping domestic medical industry supply chain "go global". It used advanced technologies to build a "3D Digital Bank" exclusively for the first online Canton Fair, closing 4,205 transactions via "Canton Fair Settlement Connect", facilitating cross-border settlement of RMB1,664 million, and completing 226 transactions via "Canton Fair Financing Connect" with online loan applications of RMB1,874 million. The Bank actively guided enterprises to use online electronic channels, such as "Cross-border e+" and "Single Window", to conduct cross-border remittance, foreign exchange settlement and sales, trade financing and other businesses so as to provide more convenience for foreign trade and ensure smooth financial services. It stepped up efforts to launch "Cross-border Quick Loans", granted renewed loans to enterprises that were in temporary difficulty, and supported the development of small and micro foreign trade enterprises. By the end of June 2020, the "Cross-border e+" comprehensive financial service platform had 172,100 contracted customers, an increase of 14.50% over the end of 2019, and "Cross-border Quick Loans" of RMB7.5 billion had been granted on a cumulative basis.

Asset custody service

The Bank actively carried out product innovation, built the brand of "CCB SMART Custody", fully took advantages of the Group, and continuously promoted the coordinated development of the business. The number of new overseas custody customers with QFII and RQFII approvals ranked No.1 in the market, and the Bank also won the mandate for the custody of the national manufacturing transformation and upgrading funds as well as the first wholly foreign owned insurance company in China. At the end of June 2020, assets under custody of the Bank amounted to RMB14.27 trillion, increased by RMB1.14 trillion, or 8.69% over the end of 2019; fees income from custody services amounted to RMB3,091 million, an increase of RMB518 million, or 20.14% over the same period last year.

Settlement and cash management business

The settlement and cash management business continued to grow steadily. "Jianguanyi" provided whole-process online supervision services for large funds such as national financial funds for COVID-19 prevention and control, special debts and loans for new and traditional infrastructure construction. "Huishibao" built an integrated on- and offline payment and settlement ecosystem for customers. The global cash management product system was constantly improved to provide services for numerous multinational companies to meet customers' demand for global account visualization and multi-scenario payment. At the end of June 2020, the Bank had 11,589,300 corporate RMB settlement accounts, an increase of 535,900 over the end of 2019, while its active cash management customers increased by 139,600 to 1,677,200 over the same period last year.

3.2.3 Personal Banking

Personal financial service

The profit contribution and market competitiveness of retail banking were fully enhanced. In an effort to build a new digitalised operation model, the Bank gradually gained the capability of accurate customer profiling with comprehensive insight, steadily promoted the development of its investment and wealth management platform, constantly innovated intelligent investment advisory services, and further consolidated the personal customers and funding bases. At the end of June 2020, the Bank's customers with assets under management of more than RMB50,000 increased by 2.19 million over the end of 2019, and the total financial assets of personal customers increased rapidly. The number of high-net-worth customers of "Long Fortune" reached 2.9 million, and the number of customers who accessed the wealth check-up service reached 18.24 million. The sales of "Long Intelligent Investment" amounted to RMB7,367 million.

The Bank optimised its innovative products and strengthened scenario deployment capability based on market trends and fund movements, and achieved rapid growth of personal deposits. The Bank steadily promoted the development of its digital account system, and continuously improved customer experience in the opening and use of online accounts. It launched a unified platform of comprehensive services shared by merchants, which can effectively attract sales funds and facilitate customer operation. It developed driving scenarios for car owners, and built an ecological circle consisting of parking, car washing, refuelling and insurance. It also moved forward with a plan to provide comprehensive economic services for night-time economy. At the end of June 2020, domestic personal deposits of the Bank rose by RMB1,056,358 million or 12.13% over the end of 2019, to RMB9,762,389 million.

The Bank actively implemented national policies on real estate macro-control and strictly implemented differentiated housing credit policies. Through big data analysis and risk early warning model among other measures, the Bank carefully selected proper locations, enterprises, projects and customers in granting loans to support the reasonable housing demand of families. At the end of June 2020, residential mortgages of the Bank increased by RMB286,062 million over the end of 2019, to RMB5,591,157 million. The balance of the self-service loans "Quick Loans" amounted to RMB234,991 million, an increase of RMB61,845 million over the end of 2019.

Entrusted housing finance business

With FinTech playing a leading role in the transformation of its service model, the Bank carried forward its development of the national system in housing and urban-rural development, and deepened the digitalisation of provident housing fund. In the wake of COVID-19, the Bank actively provided financial services to underpin support policies during the period such as payment and withdrawal of provident housing fund and the application for provident housing fund loans, so as to support the strategy of using national housing fund to fight against the COVID-19 and protect people's livelihood. At the end of June 2020, the balance of housing fund deposits was RMB955,840 million, while personal provident housing fund loans were RMB2,492,246 million. The Bank had accumulatively provided RMB117,037 million personal indemnificatory housing loans to nearly 600,000 low- and middle-income households.

Debit card business

The Bank deepened innovation in mobile payment, systematically acquired and reactivated customers from a network perspective, and further consolidated the foundation of debit card business. At the end of June 2020, the number of active debit cards was 1,162 million, including 641 million financial IC debit cards. The spending amount via debit cards totalled RMB10.71 trillion in the first half of 2020. The Bank continued to upgrade its "Long Pay" business, attracting 138 million users on a cumulative basis in the first half of 2020, making the Bank a leading presence in terms of business scale and brand awareness.

Credit card business

The Bank further promoted the digitalised, platform-based and refined development of credit card business. In light of the needs of key customers, the Bank enhanced and expanded its operations, and focused on innovation to create a credit card product system with various types and distinctive benefits and features. It launched Zhuoyue Business Card and Procurement Card to support the enterprises' resumption of work and production, the "CCB Yunongtong" credit card to serve the national rural revitalisation strategy, and upgraded the benefits of Exclusive Platinum Card, Family Card and other products to meet the diversified needs of customers. The Bank continued to consolidate its advantage in consumer credit, and deepened brand marketing such as "Long Card Saturday" and "Overseas Cashback". It accelerated business development in urban complexes, airports, high-speed rail stations and gas stations among others, based on frequent consumption scenarios in life such as clothing, catering, housing, transportation and entertainment. It consolidated its leading advantage in auto finance, and launched "CCB Home Improvement Festival" by means of online live broadcast and offline services. The Bank accelerated the replacement of magnetic stripe cards with chip cards, strengthened the whole-process anti-fraud capability, and continuously improved its digital risk management capability. At the end of June 2020, the cumulative number of credit cards issued by the Bank and customers reached 139 million and 101 million, respectively. The spending amount via credit cards totalled RMB1,461,604 million. The loan balance was RMB774,595 million with NPL ratio of 1.17%. The Bank continued to outperform its peers in terms of core indicators such as the number of customers, loan balance and asset quality.

Private banking

The Bank continued to increase the supply of private banking products and services, steadily promoted family office business, launched innovated services of fully entrusted asset management and customised family funds, and its family trust advisory business maintained a leading position in the industry. It accelerated the enhancement of its professional capabilities in asset allocation, and issued allocation strategies for major asset classes and interpretation of policies constantly. The Bank promoted the development of digitalised operation capabilities such as private data sharing, CCB e-private banking and client manager intelligent working platform, promoted the refined management of private banking centre and the development of middle office empowerment. At the end of June 2020, the private banking customers' assets under management reached RMB1,674,333 million, an increase of 10.93% over the end of 2019. The Bank had 153,928 private banking customers, an increase of 7.84% over the end of 2019. The balance of assets under management of family trust advisory business was RMB32 billion.

3.2.4 Treasury Business

Financial market business

The Bank actively responded to internal and external challenges for its financial market business, continued to develop its strength in channels and trading platforms, service experience improvement, digitalised management, compliance management and risk control, and maintained a leading position among its peers in terms of key business indicators.

Money market business

The Bank used a combination of money market tools, maintained reasonable RMB and foreign currency positions, and strengthened proactive management to ensure sound liquidity. With regard to RMB money market business, the Bank paid close attention to monetary policies with in-depth understanding of market movement patterns, maintained stable positions, and supported COVID-19 prevention and control by providing liquidity to the market and issuing special interbank negotiable certificates of deposits. With regard to foreign currency money market business segment, the Bank tracked market liquidity and changes in polices of US Federal Reserve and other regulators, established and implemented layered liquidity management strategies to ensure reasonable and adequate foreign currency liquidity. The Bank was among the best in the comprehensive ranking of interbank Foreign Currency Lending (FCL) Quoting Banks.

Debt securities business

The Bank persisted in value investment, optimised portfolio structure in line with the implementation of relevant fiscal policies, and supported the need for COVID-19 prevention and control with multiple measures. The Bank paid close attention to interest rate movements in global market, adjusted its pace of investment when appropriate, and increased band operations in order to raise the overall returns of investments. As an important market maker in the interbank market and Mainland-Hong Kong Bond Connect business, the Bank has always been committed to serving market institutions. In the wake of COVID-19, the Bank continued to provide liquidity to the bond market, offered high-quality quotations and services to international investors in Mainland-Hong Kong Bond Connect business, and actively participated in COVID-19 prevention and control bond trading, to support the growth of real economy.

Customer-based trading business

The Bank steadily promoted the high-quality development of its customer-based trading business. It conducted in-depth strategy research to provide customers with effective consulting services, consolidated its customer base with a stable increase in the number of customers, strengthened compliance management to ensure the healthy development of its customer-based trading business, and supported COVID-19 prevention and control to meet corporate customers' needs for related foreign exchange settlement and sales in a timely manner. In the first half of 2020, customer-based trading business amounted to US$219.8 billion, and the volume of foreign exchange market-making transactions reached US$1.54 trillion. The Bank maintained its strength in the comprehensive ranking of interbank foreign exchange market makers.

Precious metals and commodities

The Bank continuously promoted the sound development of its precious metals and commodities business in compliance with regulations. It expanded online trading scope, extended product coverage, enhanced customer service experience, and actively supported the demand of medical and safety supplies manufacturers for hedging the prices of raw materials by reducing their hedging costs. In the first half of 2020, the total trading volume of precious metals of the Bank reached 55,610 tonnes.

Asset management

The Bank continued to promote the building of a new system for asset management, strengthened asset allocation, channel sales, investment research and operation management, and accelerated the transformation and innovation of its asset management model. It strictly followed regulatory policies to carry out operation and rectification of existing WMPs in a smooth and orderly manner, and constantly optimised its product and asset structure. At the end of June 2020, the Group's WMPs were RMB2,016,991 million. In this amount, those managed by the Bank were RMB1,793,168 million, and those managed by CCB Wealth Management, its subsidiary, were RMB223,823 million.

In the first half of 2020, the Bank independently issued various WMPs totalling RMB3,545,729 million to effectively meet customers' investment needs. In this amount, 26 net-asset-value type WMPs were launched, with a balance of RMB388,511 million at the end of June 2020. The balance of WMPs to individual customers was RMB1,335,604 million, accounting for 74.48% of the total; that to corporate customers was RMB457,563 million, accounting for 25.52% of the total. The asset structure improved with a higher proportion of standardised assets. The standardised assets that can be traded in open market accounted for 55.49%, amounting to RMB1,115,216 million, an increase of RMB105,434 million or 10.44% over the end of 2019.

The number and amount of issuance, maturity and opening/closing positions of WMPs of the Bank during the reporting period are as follows.

	As at 31 December 2019		Issuance		Maturity		**As at 30 June 2020**	
(In millions of RMB, except numbers)	Number	Amount	Number	Amount	Number	Amount	**Number**	**Amount**
Principal-guaranteed WMPs	179	176,847	87	183,123	150	173,022	**116**	**186,948**
Non-principal guaranteed WMPs	4,003	1,885,050	2,971	3,362,606	3,804	3,641,436	**3,170**	**1,606,220**
Total	4,182	2,061,897	3,058	3,545,729	3,954	3,814,458	**3,286**	**1,793,168**

The balances of the Bank's direct and indirect investments of wealth management business as at the dates indicated are as follows.

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**Amount**	**Proportion**	Amount	Proportion
Cash, deposits and interbank negotiable certificates of deposit	**415,767**	**20.69**	533,876	24.88
Bonds	**818,431**	**40.73**	679,460	31.67
Non-standardised debt assets	**578,335**	**28.78**	721,420	33.62
Other assets	**197,083**	**9.80**	211,001	9.83
Total	**2,009,616**	**100.00**	2,145,757	100.00

In the first half of 2020, CCB Wealth Management issued various WMPs totalling RMB223,823 million. The balance of WMPs to individual customers was RMB170,692 million, accounting for 76.26% of the total; that to corporate customers was RMB53,131 million, accounting for 23.74% of the total. The standardised assets that can be traded in the open market accounted for 67.04% of the total, amounting to RMB150,040 million.

Investment banking business

The Bank provided corporate customers with comprehensive financial solutions that combined financing with intelligence. It accelerated the digitalised operation with its online empowerment programmes, and provided online investment banking services to more than 50,000 customers. It extended the systems and platforms of "FITS® e Intelligent" and "FITS® e+" to link with those designed to serve people's life, business production and operation and public governance, developed more customer service scenarios, and built an online investment banking services ecological system. It promoted the development of "Investors' Alliance (mega asset supply platform)", strengthened asset creation and investor services, and effectively connected investment with financing. It actively used direct financing to assist the real economy in resuming work and production. A total of 473 debt financing instruments were underwritten for non-financial enterprises, with an amount of RMB294,778 million. In this amount, special bond financing of RMB16,216 million were provided to businesses engaging in COVID-19 prevention and control; the Bank used instruments such as credit risk mitigation warrants (CRMW) to underwrite RMB34,593 million debt financing instruments to private enterprises; it issued RMB4,700 million green bonds, underwrote RMB4,412 million green credit asset-backed securities, and issued US$209,132 million overseas bonds. It continuously expanded financial advisory product lines and improved the effectiveness of combined financing services. It provided financial advisory services to 6,121 new customers and free services to 13,000 inclusive finance companies. In the first half of 2020, the Bank's income from investment banking reached RMB5,266 million, and acquired 14,082 effective investment banking customers.

Financial institutional business

The Bank actively explored the development of an interbank cooperation platform to extend the scope of cooperation to areas such as FinTech, big data, middle and back office operations, and smart sharing, to enable financial institutions to enhance their comprehensive governance capabilities and risk prevention and control capacity. By the end of June 2020, the interbank cooperation platform had launched 37 empowerment products and services, signed strategic cooperation agreements with multiple key customers, and actively carried out business cooperation with domestic and overseas financial institutions in fields such as deposit, custody, agency services and FinTech. At the end of June 2020, the amounts due to other domestic financial institutions (including insurance deposits) amounted to RMB1,636,523 million, an increase of RMB108,516 million from the end of 2019. The Bank's assets placed with other domestic financial institutions amounted to RMB1,142,224 million, an increase of RMB458,215 million from the end of 2019.

3.2.5 Overseas Commercial Banking Business

The Group steadily expanded its overseas business and its network of overseas commercial banking institutions to enhance capabilities to serve globalised customers and participate in international competition. In the first half of 2020, Hungary Branch under CCB Europe received its banking license and completed the local registration. By the end of June 2020, the Group had established overseas commercial banking institutions in 30 countries and regions. The Group had wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of equity in CCB Indonesia. In the first half of 2020, net profit of overseas commercial banking institutions was RMB2,995 million.

CCB Asia

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

CCB Asia is the Group's service platform for retail banking and small and medium-sized enterprises business in Hong Kong. It has traditional advantages in providing wholesale financial services such as overseas syndicated loans and structured finance and has achieved rapid growth in comprehensive financial services in international settlements, trade finance, financial market trading, large structured deposits and financial advisory service. At the end of June, total assets of CCB Asia amounted to RMB445,659 million and shareholders' equity was RMB68,883 million. Net profit in the first half of 2020 was RMB1,381 million.

CCB London

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

The Board of the Bank deliberated and approved the integration plan of London institutions in October 2019. The integration is currently in progress. After the integration, London Branch will undertake the relevant assets and businesses of CCB London. At the end of June, total assets of CCB London amounted to RMB3,763 million and shareholders' equity was RMB3,739 million. Net profit in the first half of 2020 was RMB14 million.

CCB Russia

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

CCB Russia is dedicated to serving Chinese enterprises in Russia, large Russian enterprises and multinational enterprises involved in Sino-Russia bilateral trade. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business, and clearing. At the end of June, total assets of CCB Russia amounted to RMB3,192 million, and shareholders' equity was RMB657 million. Net profit in the first half of 2020 was RMB18 million.

CCB Europe

China Construction Bank (Europe) S.A., a wholly-owned subsidiary of the Bank, was established in Luxembourg in 2013, with a registered capital of EUR200 million at the end of June of 2020, and the registered capital changed to EUR550 million at the beginning of July 2020 after the completion of certain procedures related to capital contributions. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary.

CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, and cross-border trading. At the end of June, total assets of CCB Europe amounted to RMB9,270 million, and shareholders' equity was RMB1,430 million. Net loss in the first half of 2020 was RMB18 million.

CCB New Zealand

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

CCB New Zealand offers Chinese "Going Global" enterprises and local enterprises all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of June, total assets of CCB New Zealand amounted to RMB8,700 million, and shareholders' equity was RMB1,054 million. Net profit in the first half of 2020 was RMB18 million.

CCB Brasil

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

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has eight domestic branches and sub-branches in Brasil, one Cayman branch, five wholly-owned subsidiaries, and one joint venture. The wholly-owned subsidiaries provide personal loans, credit cards, equipment leasing and other services, while the joint venture focuses on factoring and forfaiting. At the end of June, total assets of CCB Brasil amounted to RMB24,293 million, and shareholders' equity was RMB1,457 million. Net loss in the first half of 2020 was RMB796 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, was established in Malaysia in 2016, with a registered capital of MYR822.6 million.

As a licensed commercial bank, CCB Malaysia provides various financial services, including global credit granting, trade finance, supply chain finance, clearing in multiple currencies, and cross-border fund transactions for key projects under the Belt and Road Initiative, enterprises engaging in Sino-Malaysian bilateral trade, and large local infrastructure projects in Malaysia. At the end of June, total assets of CCB Malaysia amounted to RMB9,779 million, and shareholders' equity was RMB1,457 million. Net profit in the first half of 2020 was RMB35 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange with a registered capital of IDR1.66 trillion and 60% of its equity is held by the Bank. Headquartered in Jakarta, CCB Indonesia has 86 branches and sub-branches across Indonesia, covering all major islands of Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017.

CCB Indonesia is committed to promoting bilateral investment and trade between China and Indonesia, including providing major support to the Belt and Road Initiative, promoting local businesses and serving Blue-Chip companies in Indonesia. Its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of June, total assets of CCB Indonesia amounted to RMB9,474 million, and shareholders' equity was RMB1,392 million. Net profit in the first half of 2020 was RMB15 million.

3.2.6 Integrated Operation Subsidiaries

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment, CCB Wealth Management and CCB International. In the first half of 2020, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of June, total assets of the integrated operation subsidiaries amounted to RMB670,472 million. Net profit in the first half of 2020 reached RMB3,699 million.

CCB Principal Asset Management

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

At the end of June, total assets managed by CCB Principal Asset Management were RMB1.41 trillion. Specifically, mutual funds were RMB493,977 million; separately managed accounts were RMB466,573 million; assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB453,616 million. Total assets of CCB Principal Asset Management amounted to RMB7,246 million, and shareholders' equity was RMB6,441 million. Net profit in the first half of 2020 was RMB622 million.

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007, with a registered capital of RMB8 billion at the end of June 2020, and the registered capital changed to RMB11 billion at the end of July 2020 after completed certain procedures. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, and fixed-income securities investment.

CCB Financial Leasing gave full play to its license advantages, expanded domestic market and kept the bottom line at overseas market, promoted the prevention and control of COVID-19, and fully supported the resumption of work and production with the strength of financial leasing. It continued to promote green leasing, supported the transformation and upgrade of traditional manufacturing industries, and actively expanded its footprint in new infrastructure sectors. It firmly adhered to the bottom line of risk, improved risk monitoring and developed sound emergency plans for overseas businesses, realising a low NPL ratio in the industry as well as steady business development. At the end of June, total assets of CCB Financial Leasing amounted to RMB134,423 million, and shareholders' equity was RMB19,961 million. Net profit in the first half of 2020 reached RMB927 million.

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009, with a registered capital of RMB2,467 million at the end of June. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered good operating results. At the end of June, trust assets under management amounted to RMB1,402.2 billion. Total assets of CCB Trust amounted to RMB33,944 million, and shareholders' equity was RMB22,121 million. Net profit in the first half of 2020 was RMB1,138 million.

CCB Life

CCB Life Insurance Co., Ltd. was established in 1998 with a registered capital of RMB4,496 million at the end of June 2020. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, China Jianyin Investment Limited, Shanghai Jin Jiang International Investment and Management Company Limited, and Shanghai China-Sunlight Investment Co., Ltd. hold 51%, 19.9%, 14.27%, 5.08%, 4.9% and 4.85% of its shares, respectively. CCB Life's scope of business mainly includes personal insurance such as life, health, accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Life further optimised its business structure and its financial results continued to improve. At the end of June, total assets of CCB Life amounted to RMB217,002 million, and shareholders' equity was RMB14,054 million. Net profit in the first half of 2020 was RMB710 million.

Sino-German Bausparkasse

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

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB13,147 million in the first half of 2020. At the end of June, total assets of Sino-German Bausparkasse amounted to RMB23,918 million, and shareholders' equity was RMB2,988 million. Net profit in the first half of 2020 was RMB40 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014, with a registered capital of RMB936 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned risk management subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

CCB Futures gave full play to its professional strength, strengthened its ability to serve the real economy and maintained stable development in all business lines. At the end of June, total assets of CCB Futures amounted to RMB8,226 million, and shareholders' equity was RMB1,064 million. Net profit in the first half of 2020 was RMB9 million.

CCB Pension

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

CCB Pension actively promoted the construction of the Group's pension financial ecosystem, optimised the pension service cloud platform and "Jianrongzhihe" smart matchmaking platform to solve pain points and thorny issues such as social pension. It also achieved remarkable success in the occupational annuity market, as it won all the public tenders for government-administered occupational annuity plans. At the end of June, assets under management by CCB Pension reached RMB466,457 million, total assets of CCB Pension amounted to RMB3,244 million, and shareholders' equity was RMB2,549 million. Net profit in the first half of 2020 was RMB77 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of June, total assets of CCB Property & Casualty amounted to RMB1,190 million, and shareholders' equity was RMB514 million. Net loss in the first half of 2020 was RMB40 million.

CCB Investment

CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017, with a registered capital of RMB12 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach and made active efforts to explore opportunities with business innovations. According to the latest data, it was in a leading position in the industry with a total contractual amount of RMB846,558 million in terms of framework agreements, and an actual investment amount of RMB280,882 million by the end of June. At the end of June, total assets of CCB Investment amounted to RMB116,232 million, and shareholders' equity was RMB12,843 million. Net profit in the first half of 2020 was RMB434 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment and management of entrusted properties, and wealth management advisory and consulting services.

Since its establishment, CCB Wealth Management has been continuously improving its active management ability of asset management business based on sound and compliant operation, persisting in serving the real economy and actively participating in the development of capital market. At the end of June, total assets of CCB Wealth Management amounted to RMB15,722 million, and shareholders' equity was RMB15,191 million. Net profit in the first half of 2020 was RMB131 million.

CCB International

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

CCB International maintained stable development in all business lines by continuing to focus on the trend of China concept stocks seeking listings on A-share or H-share market, supporting the development of national strategies and providing innovative services to the real economy. It led the industry in acting as securities sponsor and underwriter as well as M&A financial advisor. At the end of June, total assets of CCB International amounted to RMB77,399 million, and shareholders' equity was RMB6,754 million. Net loss in the first half of 2020 was RMB380 million.

3.2.7 Analysed by Geographical Segments

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

	Six months ended 30 June 2020		Six months ended 30 June 2019	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**27,486**	**16.29**	29,218	15.28
Pearl River Delta	**28,208**	**16.71**	25,510	13.34
Bohai Rim	**27,311**	**16.18**	19,989	10.46
Central	**16,021**	**9.49**	25,093	13.13
Western	**26,105**	**15.47**	22,140	11.58
Northeastern	**3,292**	**1.95**	6,488	3.39
Head Office	**37,763**	**22.38**	56,824	29.72
Overseas	**2,587**	**1.53**	5,918	3.10
Profit before tax	**168,773**	**100.00**	191,180	100.00

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**5,071,163**	**13.48**	4,749,945	13.57
Pearl River Delta	**4,275,921**	**11.37**	3,767,856	10.76
Bohai Rim	**5,897,992**	**15.68**	5,574,202	15.92
Central	**4,793,998**	**12.75**	4,487,688	12.82
Western	**3,947,681**	**10.50**	3,670,832	10.49
Northeastern	**1,407,181**	**3.74**	1,286,929	3.68
Head Office	**10,508,896**	**27.94**	9,745,744	27.84
Overseas	**1,708,626**	**4.54**	1,722,884	4.92
Total assets[1]	**37,611,458**	**100.00**	35,006,080	100.00

1. Total assets exclude elimination and deferred tax assets.

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

(In millions of RMB, except percentages)	As at 30 June 2020 Gross loans and advances	% of total	NPLs	NPL ratio (%)	As at 31 December 2019 Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	**2,906,108**	**17.69**	**34,518**	**1.19**	2,584,684	17.24	25,796	1.00
Pearl River Delta	**2,659,558**	**16.19**	**32,117**	**1.21**	2,320,984	15.49	24,914	1.07
Bohai Rim	**2,732,021**	**16.63**	**40,473**	**1.48**	2,527,254	16.86	43,954	1.74
Central	**3,007,265**	**18.30**	**62,049**	**2.06**	2,684,077	17.91	46,289	1.72
Western	**2,649,068**	**16.12**	**36,860**	**1.39**	2,480,840	16.55	40,008	1.61
Northeastern	**764,858**	**4.65**	**24,261**	**3.17**	738,388	4.93	20,384	2.76
Head Office	**779,939**	**4.75**	**9,445**	**1.21**	747,741	4.99	8,185	1.09
Overseas	**931,643**	**5.67**	**5,793**	**0.62**	903,938	6.03	2,943	0.33
Gross loans and advances excluding accrued interest	**16,430,460**	**100.00**	**245,516**	**1.49**	14,987,906	100.00	212,473	1.42

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

(In millions of RMB, except percentages)	As at 30 June 2020 Amount	% of total	As at 31 December 2019 Amount	% of total
Yangtze River Delta	**3,615,361**	**17.72**	3,141,230	17.10
Pearl River Delta	**3,291,793**	**16.13**	2,830,395	15.41
Bohai Rim	**3,739,875**	**18.33**	3,368,554	18.34
Central	**3,979,327**	**19.51**	3,624,357	19.73
Western	**3,690,274**	**18.09**	3,457,424	18.83
Northeastern	**1,313,183**	**6.44**	1,216,744	6.63
Head Office	**17,031**	**0.08**	9,175	0.05
Overseas	**519,142**	**2.54**	510,907	2.78
Accrued interest	**236,176**	**1.16**	207,507	1.13
Total deposits from customers	**20,402,162**	**100.00**	18,366,293	100.00

3.2.8 Building of Network and Channels

The Group provides its customers with convenient and high-quality services through branches and sub-branches, self-service facilities and specialised service entities across the world as well as e-banking service platforms. At the end of June 2020, the Bank had a total of 14,846 operating entities, consisting of 14,813 domestic entities including the Head Office, 37 tier-one branches, 356 tier-two branches, 14,142 sub-branches, 276 outlets under the sub-branches and a specialised credit card centre at the Head Office, and 33 overseas institutions. The Bank had 19 major subsidiaries with a total of 596 entities, including 421 domestic ones and 175 overseas ones. For addresses of domestic and overseas tier-one branches and subsidiaries, please refer to the 2019 annual report of the Bank.

Physical channels

The Bank adjusted the number and structure of its outlets as appropriate to expand its service coverage of core areas and inclusive finance. The Bank continued to upgrade its outlet layout, and relocated 87 outlets in the first half of 2020, 62.07% of which were located in Bohai Rim, the Yangtze River Delta and the Pearl River Delta. To meet the government requirements for inclusive finance development, the Bank increased the number of its outlets in county areas to 4,328, accounting for 29.38% of the total. The Bank optimised the layout of self-service channels. It had 83,379 ATMs, 26,360 self-service banks, including 12,076 off-premise self-service banks, and 48,361 smart teller machines to fully support corporate and personal banking. By the end of June 2020, the Bank had established 252 inclusive finance (small business) service centres and small business centres, and over 1,500 personal loan centres.

The Bank built an intelligent operation system at the group level, improved the efficiency of operation resource allocation, promoted the digital and intelligent transformation of outlets, and enhanced the comprehensive competitiveness of outlets. It took the lead in setting up physical channel customer experience laboratories among its peers, carried out experience evaluation research, and improved customer and employee experience. In order to meet customers' needs of contactless and totally offsite services during the pandemic, the Bank moved counter services online and made 21 business scenarios processed online. It launched a new service model "CCB At Home" on a pilot basis to realise "online order, centralised processing, physical distribution and doorstep delivery" of three products including personal credit certificates, personal savings cards and transaction details of current accounts. The Bank accelerated the adoption of technical substitution for physical media required by relevant businesses, launched the function of "Scan QR Code" in all outlets to support customers to retrieve account QR codes from mobile banking APP instead of providing physical media, and introduced a "face scanning" approach for 28 types of high-frequency counter services. Robotic process automation (RPA) technology was introduced to improve operation quality and efficiency. The Bank implemented agile research and development of 150 business application scenarios, and the total number of scenarios reached 250, which can save an average of 1,570 man-hours per day.

The Bank expanded the scope of financial services and explored a new path of "smart services for government affairs + Workers' Harbour + comprehensive services for communities". The Bank incorporated government affairs services into the standard service system of outlets and turned outlets into "government affairs halls for the public". By the end of June 2020, all 37 domestic tier-one branches of the Bank had provided smart services for government affairs, covering 19 areas, such as tax, social security, education and transportation. The Bank continued to promote the "Workers' Harbour+" model, opening 14,315 "Workers' Harbours" to the public, which served more than 118 million comers offline with over 63.52 million online user visits and over 9.22 million users registered. The Bank cooperated with 570 institutions such as labour unions, sanitation companies and China Disabled Persons' Federation and launched "Workers' Harbour+" model in 1,637 outlets. The Bank took the initiative to be part of the community life and built an ecosystem within a three-kilometre radius around the outlets. It integrated the life services around the outlets and deployed them online to provide comprehensive ecological services for local customers. It created offline scenarios, actively promoted the construction of the showcase of "CCB Life Hall" in Hangzhou, Zhejiang Province, to realise organic integration with surrounding communities, merchants and others. It also simultaneously promoted the construction of theme scenarios of outlets, upgraded the theme of auto finance, and created outlet auto finance ecological scenario jointly with online travel platforms to enable on- and offline collaborative operation.

E-channels

The Bank gave full play to "Five Advantages" of ubiquitous online services, platform traffic gathering, widely available channel access, data collection and sharing, and extensive customer connection, and strived to build "Six Capabilities", i.e. to drive scenario innovation and building, improve ecological environment of platform, acquire and reactivate customers online, promote product cross-selling, provide data analysis and insights and empower customer services, so as to promote the high-quality development of online financial business.

Mobile finance

The Bank strengthened FinTech innovation for its mobile banking, diversified online functions and delivered smarter and smoother experience. The Bank launched special service zones for COVID-19 prevention and control to provide customers with scenario services such as free online health consultation, real-time statistics of COVID-19, patient tracking, online greengrocers, public welfare donation, and smart community management platform. The Bank launched a simplified and innovative version of mobile banking and developed innovative and exclusive services for rural customers. The Bank also strengthened the connection to Government Community, introduced government affairs services, such as social security and provident housing fund services to provide customers with more convenience. At the end of June 2020, the number of personal mobile banking users rose to 367 million, an increase of 16.43 million or 4.68% over the end of last year. The number of corporate mobile banking users reached 1.88 million, an increase of 0.29 million or 18.29% over the end of last year. The number of WeChat banking users who followed the Bank's WeChat account reached 109 million, up 7.42 million or 7.29% over the end of last year. The number of users who linked their bank cards with their WeChat accounts was 84.42 million, an increase of 7.48 million or 9.73% over the end last year. The number of SMS financial service users reached 479 million, an increase of 15 million or 3.29% over the end of last year.

Online banking

The Bank launched digital marketing campaigns for personal online banking to increase the size of active users. New functions were added for personal online banking, such as personal credit reference query, cross-bank money transfer based on mobile phone numbers, bulk money transfer slips query/print, and credit limit adjustment for multiple credit cards. The Bank consolidated the online financial service foundation for corporate banking, added a new function for pre-booked cash payment, and optimised functions such as e-loans and note pools. It vigorously deployed non-financial services, launched and promoted the headquarter-level credit report reference function, optimised e-payroll services, and advanced the transformation of corporate online banking to an integrated corporate banking platform. At the end of June 2020, the number of personal online banking users increased by 13.40 million or 3.93% to 354 million over the end of last year. The number of corporate online banking users reached 9.78 million, an increase of 0.70 million or 7.67% over the end of last year. Active users reached 3.30 million, an increase of 15.91% over the same period of last year.

Online payment

The Bank continued to strengthen its online payment services, especially those for fiscal entities, hospitals, public welfare and merchants engaging in basic living services, enhanced the cooperation with the government and leading Internet companies, deepened the cooperation to boost and promote consumption, promoted the integration of on- and offline consumption, and supported the resumption of work and production. At the end of June 2020, the number of merchants that used the Bank's aggregated payment service was 2.32 million, and the amount of transactions was RMB589.9 billion, an increase of 25.73% over the same period last year. The number of online payment transactions was 19,354 million, and the amount was RMB8.51 trillion. CCB outperformed its peers in terms of both volume and amount of online payment transactions via platforms such as Alipay, JD and Meituan.

E.ccb.com

The Bank assumed responsibilities as a large bank and innovatively carried out poverty alleviation via E.ccb.com. It strengthened poverty alleviation cooperation with domestic ministries and committees, governments at all levels and state-owned enterprises, integrated various businesses for the purpose of poverty alleviation, encouraged and led customers, institutions and employees to support poverty alleviation. It has built a "Support Hubei Pavilion" based on E.ccb.com to market featured products of Hubei Province. At the end of June 2020, E.ccb.com had 4,308 poverty alleviation merchants on a cumulative basis, covering 948 poverty-stricken counties. In the first half of 2020, the amount of poverty alleviation transactions was RMB7,571 million, an increase of 45.11% over the same period last year.

Remote intelligent banking service

The Bank intensified its efforts in the innovation of remote banking. It launched 7x24 "manual + smart" uninterrupted services, achieved efficient combination of on- and offline services, responded to customers' needs for remote financial services rapidly, and shot for creating the smart, convenient, precise and end-to-end service experience. In the first half of 2020, the total number of inquiries processed across all channels was 748 million, where 92% were settled by interactive voice response (IVR) system and artificial intelligence (AI) robot. Among all manual inquiries, nearly 90% were successfully connected to customer service representatives. The WeChat official account "CCB Customer Service" had more than 7.72 million followers and cumulatively served its customers for more than 37 million times.

3.2.9 Product Innovation

The Bank focused on the innovation of areas of strategic importance and continued to improve digitalised operation and refined management. It intensified efforts in people's livelihood innovation and promoted the financial innovation in emerging industries; accelerated the development of green finance and cultivated new advantages of green finance; actively built an enterprise-level product family tree, promoted lifecycle management of products, and supported product refinement management and business development. It strengthened the overall management of creativity, pooled the wisdom of all employees to promote innovation, carried out "Mass Innovation" activities such as innovation marathon, and continued to collect and implement innovative ideas through mass innovation platforms and tools. In the first half of 2020, it held 338 activities which were participated by more than 30,000 employees, and adopted more than 5,000 ideas after screening 28,000 original ideas collected.

3.2.10 Human Resources

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

	30 June 2020			
	Number of branches	% of total	Number of staff	% of total
Yangtze River Delta	**2,327**	**15.67**	**50,784**	**14.82**
Pearl River Delta	**1,903**	**12.82**	**43,565**	**12.71**
Bohai Rim	**2,454**	**16.53**	**56,535**	**16.49**
Central	**3,563**	**24.00**	**76,950**	**22.45**
Western	**3,015**	**20.31**	**65,796**	**19.19**
Northeastern	**1,548**	**10.43**	**34,268**	**10.00**
Head Office	**3**	**0.02**	**13,574**	**3.96**
Overseas	**33**	**0.22**	**1,313**	**0.38**
Total	**14,846**	**100.00**	**342,785**	**100.00**

At the end of June, the Bank had 342,785 employees (besides 3,607 workers dispatched by labour leasing companies). The number of employees with bachelor's degree or above was 241,126 or 70.34%, and the number of local employees in overseas institutions was 1,020. In addition, the Bank assumed the expenses of 81,850 retired employees.

Staff training

The Bank leveraged CCB University to empower its associates by adapting to development trends of the new era for education, and accelerated the pace of digitalised learning transformation. The Bank launched tailored learning programmes for different employees to create a team of professionals that meet the requirements of digital economic development, including online courses "Be Better with You" for client managers at CCB outlets, "Together with the Best" for heads of outlets, digitalised courses "In the Cloud: Your Future with CCB" for new employees across the bank, and multi-level and diversified interdisciplinary talent training for FinTech talents. In the first half of 2020, CCB University's online platform covered 320,000 employees, offered 4,897 online live sessions which were viewed 4,901.5 thousand times, and 2,322 online exams with 692,400 participants.

Staff in subsidiaries

At the end of June, the subsidiaries of the Bank had 23,860 employees (besides 362 workers dispatched by labour leasing companies). Among them, the domestic and overseas employees numbered 18,847 and 5,013 respectively. In addition, the subsidiaries assumed the expenses of 59 retired employees.

3.3 Risk Management

In the first half of 2020, the Group strengthened research on macroeconomic situation, increased the frequency of stress testing, carried out major risks assessment, and adhered to the principle that business development should be bounded by its risk management and control capabilities. The Group effectively promoted the building of the comprehensive, proactive and intelligent risk management system, enhanced the unified view of risks for the Group, and pushed forward standardised control and systematic prevention of all types of risks for all assets at every group member.

3.3.1 Credit Risk Management

In the first half of 2020, COVID-19 seriously affected the global economic development, and brought unprecedented impact on domestic economic growth. Against the backdrop of extremely complex and challenging external environment, the Group actively implemented various national policies, increased credit supply, and focused on supporting key areas in the real economy to assist in economic recovery. It made great efforts in risk prevention and control so as to achieve sound risk control together with stable growth.

The Group continued to carry out proactive and forward-looking credit management. It continuously optimised credit structure, consolidated strength in infrastructure sector, improved the proportion of inclusive finance, promoted the steady development of green finance and strategic emerging industries, and supported the upgrading of manufacturing sector. It improved the credit process and mechanism, and promoted the refined management of the process. It adhered to substantive risk judgment to identify risks effectively and accurately, and enhanced unified credit risk monitoring of the Group. It strictly followed the principle of prudence to enhance its ability to withstand risks, and accurately reflected risk pressures and operating results.

The Group strengthened risk control over credit approval. The Group strictly implemented credit approval strategy, and strengthened risk control in key areas to optimise credit structure. It centralised all information resources, strengthened information mining, analysis and application based on monitoring data, and promoted the development of a decision-making support system to assist in credit approval decision-making. It optimised the approval mechanism and process at domestic and foreign institutions, and shortened the business chain. It promoted intensive management and pressed ahead with the pilot programme of “Cloud-based Approval”. It also promoted the development of an intelligent compliance review system and a credit approval document library, and achieved mobile credit approval for the whole process.

The Group enhanced its risk measurement capabilities. It expanded the application scope of its online business risk scanning and detection system and optimised the screening rules. It strengthened the development and application of the risk model decision system, which supported branches to diagnose and analyse issues in daily risk management. It deepened the refined management of economic capital, and strengthened its internal growth drivers. It developed intelligent rating tools for corporate customers, and launched the function to help verify the authenticity of financial statements. Its credit limit control strengthened the management of concentration risk and the risk from borrowers who had loans from multiple sources.

The Group strengthened its special assets operation capabilities. It adjusted its operation and disposal strategy for non-performing assets in responding to the adverse impact of COVID-19, took multiple measures to increase NPL disposals, and steadily enhanced its operating and disposal capacity for non-performing assets.

Distribution of loans by five-category classification

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

(In millions of RMB, except percentages)	As at 30 June 2020 Amount	As at 30 June 2020 % of total	As at 31 December 2019 Amount	As at 31 December 2019 % of total
Normal	15,693,335	95.52	14,336,247	95.65
Special mention	491,609	2.99	439,186	2.93
Substandard	133,081	0.81	105,633	0.71
Doubtful	95,652	0.58	82,569	0.55
Loss	16,783	0.10	24,271	0.16
Gross loans and advances excluding accrued interest	16,430,460	100.00	14,987,906	100.00
NPLs	245,516		212,473	
NPL ratio		1.49		1.42

In the first half of 2020, the Group continued with its comprehensive, proactive and intelligent risk management, and strengthened fundamental credit management. It adhered to the judgement of substantive risk, carried out prudent classification, and the asset quality stayed in control. At the end of June, the balance of Group's NPLs was RMB245,516 million, an increase of RMB33,043 million from the end of last year. The NPL ratio stood at 1.49%, an increase of 0.07 percentage points over the end of last year. The special mention loans accounted for 2.99% of the gross loans and advances excluding accrued interest, an increase of 0.06 percentage points over the end of last year.

Distribution of loans and NPLs by product type

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

(In millions of RMB, except percentages)	As at 30 June 2020 Gross loans and advances	As at 30 June 2020 NPLs	As at 30 June 2020 NPL ratio (%)	As at 31 December 2019 Gross loans and advances	As at 31 December 2019 NPLs	As at 31 December 2019 NPL ratio (%)
Corporate loans and advances	8,069,329	199,643	2.47	6,959,844	171,846	2.47
Short-term loans	2,687,756	72,654	2.70	2,205,697	79,342	3.60
Medium to long-term loans	5,381,573	126,989	2.36	4,754,147	92,504	1.95
Personal loans and advances	6,866,895	29,250	0.43	6,477,352	26,736	0.41
Residential mortgages	5,591,157	13,946	0.25	5,305,095	12,484	0.24
Credit card loans	774,595	9,074	1.17	741,197	7,651	1.03
Personal consumer loans	255,845	2,171	0.85	189,588	2,643	1.39
Personal business loans	57,837	1,132	1.96	44,918	1,184	2.64
Other loans	187,461	2,927	1.56	196,554	2,774	1.41
Discounted bills	413,419	664	0.16	492,693	724	0.15
Overseas operations and subsidiaries	1,080,817	15,959	1.48	1,058,017	13,167	1.24
Gross loans and advances excluding accrued interest	16,430,460	245,516	1.49	14,987,906	212,473	1.42

Distribution of loans and NPLs by industry

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

	As at 30 June 2020				As at 31 December 2019			
(In millions of RMB, except percentages)	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	8,069,329	49.11	199,643	2.47	6,959,844	46.43	171,846	2.47
Transportation, storage and postal services	1,504,941	9.16	27,218	1.81	1,398,515	9.33	23,305	1.67
Manufacturing	1,291,730	7.86	77,987	6.04	1,080,296	7.21	71,289	6.60
Leasing and commercial services	1,289,178	7.85	17,052	1.32	1,058,276	7.06	8,927	0.84
– Commercial services	1,267,200	7.71	16,107	1.27	1,038,417	6.93	8,518	0.82
Production and supply of electric power, heat, gas and water	825,383	5.02	9,148	1.11	794,734	5.30	8,176	1.03
Wholesale and retail trade	663,876	4.04	26,713	4.02	494,876	3.30	25,954	5.24
Real estate	654,417	3.98	7,067	1.08	560,580	3.74	5,274	0.94
Water, environment and public utility management	488,355	2.97	4,690	0.96	423,191	2.82	3,912	0.92
Construction	398,325	2.42	6,952	1.75	310,783	2.07	5,359	1.72
Mining	205,431	1.26	8,845	4.31	205,966	1.38	8,685	4.22
– Exploitation of petroleum and natural gas	1,437	0.01	310	21.57	1,438	0.01	89	6.19
Information transmission, software and information technology services	81,122	0.49	1,420	1.75	72,430	0.48	874	1.21
– Telecommunications, broadcast and television, and satellite transmission services	17,988	0.11	4	0.02	27,716	0.18	34	0.12
Education	70,625	0.43	48	0.07	64,791	0.43	255	0.39
Others	595,946	3.63	12,503	2.10	495,406	3.31	9,836	1.99
Personal loans and advances	6,866,895	41.79	29,250	0.43	6,477,352	43.22	26,736	0.41
Discounted bills	413,419	2.52	664	0.16	492,693	3.29	724	0.15
Overseas operations and subsidiaries	1,080,817	6.58	15,959	1.48	1,058,017	7.06	13,167	1.24
Gross loans and advances excluding accrued interest	16,430,460	100.00	245,516	1.49	14,987,906	100.00	212,473	1.42

In the first half of 2020, the Group improved credit process and mechanism, and continued to optimise credit structure by increasing green credit and supporting strategic emerging industries, advanced manufacturing and the transformation and upgrading of traditional industries, in order to effectively serve the real economy and assist in economic recovery. The NPL ratio of infrastructure sectors was 1.40%, 0.20 percentage points higher than that at the end of last year, but remaining relatively low. In these sectors, commercial services recorded an NPL ratio of 1.27%, up 0.45 percentage points from the end of last year. The NPL ratio of wholesale and retail trade industry dropped to 4.02%, and that of manufacturing dropped to 6.04%, down 1.22 and 0.56 percentage points from the end of last year respectively.

Restructured loans and advances to customers

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

(In millions of RMB, except percentages)	**As at 30 June 2020**		As at 31 December 2019	
	Amount	**% of gross loans and advances excluding accrued interest**	Amount	% of gross loans and advances excluding accrued interest
Restructured loans and advances to customers	**7,169**	**0.04**	6,030	0.04

At the end of June, the restructured loans and advances to customers were RMB7,169 million, an increase of RMB1,139 million over the end of last year, while its proportion in gross loans and advances excluding accrued interest was 0.04%, staying flat.

Overdue loans and advances to customers

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

(In millions of RMB, except percentages)	**As at 30 June 2020**		As at 31 December 2019	
	Amount	**% of gross loans and advances excluding accrued interest**	Amount	% of gross loans and advances excluding accrued interest
Overdue within three months	**58,340**	**0.36**	48,567	0.32
Overdue between three months and six months	**31,073**	**0.19**	23,125	0.15
Overdue between six months and one year	**27,690**	**0.17**	46,297	0.31
Overdue between one and three years	**57,997**	**0.35**	42,843	0.29
Overdue for over three years	**11,492**	**0.07**	12,051	0.08
Total overdue loans and advances to customers	**186,592**	**1.14**	172,883	1.15

At the end of June, overdue loans and advances to customers increased by RMB13,709 million to RMB186,592 million from the end of last year, and their proportion in gross loans and advances excluding accrued interest dropped by 0.01 percentage points. Loans and advances overdue for more than three months which were mainly concentrated in Central and Western China reached RMB128,252 million, an increase of RMB3,936 million or 3.17% over the end of last year, in which the loans and advances to Central China increased by RMB3,566 million while those to Western China decreased rapidly. For information on overdue loans and advances to customers by geographical sector, please refer to "Unaudited Supplementary Financial Information".

Migration rate of loans

(%)	**As at 30 June 2020**	As at 31 December 2019	As at 31 December 2018
Migration rate of normal loans	**1.35**	2.52	2.26
Migration rate of special mention loans	**15.60**	15.97	20.19
Migration rate of substandard loans	**31.94**	50.11	66.44
Migration rate of doubtful loans	**6.25**	20.60	16.39

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

Large Exposures Management

The Group established and improved its large exposures management standards, processes and system of rules. It enhanced the large exposure monitoring, early warning and limits management system, continuously optimised IT system, and promoted the online management of large exposures for all products and processes at the group level.

Concentration of loans

At the end of June, the Group's gross loans to the largest single borrower accounted for 2.79% of its total capital after regulatory adjustments, while those to the top ten customers accounted for 11.43% of its total capital after regulatory adjustments.

Concentration indicator	**As at 30 June 2020**	As at 31 December 2019	As at 31 December 2018
Proportion of loans to the largest single customer (%)	**2.79**	2.65	2.95
Proportion of loans to top ten customers (%)	**11.43**	10.82	13.05

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

		As at 30 June 2020	
(In millions of RMB, except percentages)	**Industry**	**Amount**	**% of total loans and advances excluding accrued interest**
Customer A	Transportation, storage and postal services	**75,978**	**0.46**
Customer B	Finance	**38,193**	**0.23**
Customer C	Transportation, storage and postal services	**34,225**	**0.21**
Customer D	Transportation, storage and postal services	**27,323**	**0.17**
Customer E	Transportation, storage and postal services	**26,718**	**0.16**
Customer F	Transportation, storage and postal services	**26,313**	**0.16**
Customer G	Finance	**23,306**	**0.14**
Customer H	Transportation, storage and postal services	**22,302**	**0.14**
Customer I	Production and supply of electric power, heat, gas and water	**18,979**	**0.11**
Customer J	Transportation, storage and postal services	**17,851**	**0.11**
Total		**311,188**	**1.89**

3.3.2 Market Risk Management

In the first half of 2020, the Group actively responded to fluctuations in bond, stock, foreign exchange and commodity markets, and significantly tightened its market risk management. The Group launched its contingency response mechanism for major market risks in a timely manner, and set up a contingency response team in charge of major market risk events to actively analyse risks and take targeted forward-looking risk control measures. It promoted the development of its intelligent management and control platform for investment and trading businesses, and expanded the unified risk view of trading and investment customers. The Group strengthened the risk prevention and control of debentures and underwriting businesses, promoted the remediation and resolution of existing risk assets in asset management business, launched its risk management system for asset management business, and strengthened the limit management of asset management business at its subsidiaries. It also strengthened the risk management and control of financial institution customers, improved the risk limit management and list-based management of counterparties.

Value at risk analysis

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

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

	Six months ended 30 June 2020				Six months ended 30 June 2019			
(In millions of RMB)	**As at 30 June**	**Average**	**Maximum**	**Minimum**	As at 30 June	Average	Maximum	Minimum
VaR of trading portfolio	**271**	**251**	**317**	**207**	321	320	341	288
Interest rate risk	**145**	**75**	**182**	**46**	103	99	117	75
Foreign exchange risk	**257**	**254**	**298**	**214**	306	298	335	251
Commodity risk	**6**	**8**	**39**	**3**	14	14	31	–

Interest rate risk management

The Group established interest rate risk management framework and system in light of its own condition, and implemented robust and prudent interest rate risk management strategy and policy. The Group employed a range of methods to measure and analyse the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and value, and ensure stable profit growth and capital structure.

In the first half of 2020, the Group paid close attention to changes in market rates, and reinforced dynamic risk monitoring and prediction. It continued to optimise the product portfolio and term structure and maintained the solid and coordinated growth of assets and liabilities. It flexibly adjusted internal and external price policies and strengthened its review of interest rate risk associated with innovative products. In addition, the Group actively implemented the requirements of the PBC on the reform of interest rate liberalisation, and effectively promoted the conversion of benchmark interest rates. It strengthened the management of overseas entities and subsidiaries and optimised the relevant interest rate risk limits. It improved the interest rate risk management system, strengthened the backtesting of the measurement model, and consolidated the foundation of interest rate risk management. During the reporting period, the results of the stress testing indicated that all indicators are kept within the limits, and the interest rate risk on banking book of the Group was under control.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps as at the specified dates by the next expected repricing dates or maturity dates (whichever are earlier) is set out below.

(In millions of RMB)	**Non-interest-bearing**	**Within three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Total**
Interest rate sensitivity gap as at 30 June 2020	**280,195**	**(8,510,304)**	**9,088,706**	**(1,211,874)**	**2,654,594**	**2,301,317**
Accumulated interest rate sensitivity gap as at 30 June 2020		**(8,510,304)**	**578,402**	**(633,472)**	**2,021,122**	
Interest rate sensitivity gap as at 31 December 2019	173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127
Accumulated interest rate sensitivity gap as at 31 December 2019		(1,696,225)	589,208	(123,702)	2,061,634	

At the end of June, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB578,402 million, a decrease of RMB10,806 million from the end of last year, primarily because deposits with maturities of less than one year grew faster than loans and advances. The positive gap of the assets and liabilities with maturities of more than one year was RMB1,442,720 million, a decrease of RMB29,706 million from the end of last year, primarily because time deposits with maturities of more than one year grew faster than investments.

Net interest income sensitivity analysis

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

The change in net interest income of the Group under different scenarios as at the specified dates is set out below.

	Scenarios 1: the interest rates for deposits at the PBC being constant		Scenario 2: the interest rates for deposits at the PBC and the demand deposits being constant	
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points	Fall by 100 basis points
As at 30 June 2020	**(70,134)**	**70,134**	**55,040**	**(55,040)**
As at 31 December 2019	(35,183)	35,183	77,716	(77,716)

Exchange rate risk management

The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In the first half of 2020, the Group paid close attention to changes in global economic and financial situation in the wake of COVID-19, and the impact on exchange rate trend and exchange rate risk level of the Group. It strengthened research on exchange rates of currencies for major economies and emerging markets, and improved its exchange rate risk prediction capability for multiple currencies. It continued to enhance the building of its exchange rate risk management system, updated and improved internal management rules. During the reporting period, the Group's overall exchange rate risk exposure was small, and continued to satisfy regulatory requirements of the CBIRC. The stress testing results of exchange rate risk showed that the overall risk was under control.

Currency concentrations

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

	As at 30 June 2020				As at 31 December 2019			
(In millions of RMB)	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**1,271,006**	**346,427**	**421,096**	**2,038,529**	1,177,322	336,136	473,907	1,987,365
Spot liabilities	**(1,263,674)**	**(367,819)**	**(351,450)**	**(1,982,943)**	(1,280,135)	(388,492)	(324,861)	(1,993,488)
Forward purchases	**2,159,060**	**127,111**	**225,416**	**2,511,587**	2,126,358	174,874	185,347	2,486,579
Forward sales	**(2,083,262)**	**(60,984)**	**(274,956)**	**(2,419,202)**	(1,988,021)	(79,784)	(309,671)	(2,377,476)
Net options position	**(53,673)**	**–**	**–**	**(53,673)**	(14,714)	–	(10)	(14,724)
Net long position	**29,457**	**44,735**	**20,106**	**94,298**	20,810	42,734	24,712	88,256

At the end of June, the Group's net exposure to exchange rate risk was RMB94,298 million, an increase of RMB6,042 million over the end of 2019. The Group's exchange rate risk exposure rose temporarily mainly due to the purchase of foreign exchange for dividend distribution, and will fall back after dividend distribution in the second half of 2020.

3.3.3 Operational Risk Management

The Group continued to promote the application of operational risk management tools, strengthened collection, analysis and reporting of non-compliance losses information, and conducted operational risk assessments for new products. It strengthened the building of internal controls, formulated challenge policies in business operations, and revised management rules for incompatible duties. It improved its contingency plans for COVID-19, carried out related drills, and standardised business continuity contingency responses at overseas institutions.

Anti-money Laundering

In line with the risk-based approach, the Group continued to improve its rules and mechanisms for AML, counter-terrorist financing and anti-tax evasion, and optimised its AML management policies at the group level. It enhanced the customer identification programme and improved the completeness, accuracy and effectiveness of customer information. It continued to optimise its money-laundering risk assessment and mitigation system, and improved the effectiveness of money-laundering risk management from the perspectives of institutions and products. It steadily promoted the management of AML data, and continuously enhanced the Group's AML capabilities. In addition, it made solid efforts in financial sanctions compliance and safeguarded the bottom line of sanctions compliance programme requirements. The Group strengthened AML support for the prevention and control of COVID-19, and stepped up its efforts to combat COVID-19-related money laundering activities while improving the convenience of financial services.

3.3.4 Liquidity Risk Management

The Group continued to adhere to the principle of robustness and prudence in liquidity risk management. By fully considering changes in internal and external liquidity situation, it controlled the size and progress of asset growth as appropriate, and reasonably adjusted the term structure of assets and liabilities. It actively cooperated with the PBC to carry out monetary policies, and provided liquidity timely at reasonable prices to maintain the stable operation of money market in the special period of COVID-19 prevention and control. It continued to improve the refined management of liquidity, and predicted liquidity risk with sensitivity analysis to ensure the safety of payment and settlement of the Group and keep the stability and compliance of various indicators.

Stress testing of liquidity risk

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance under adverse scenarios. It kept improving its stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

Indicators of liquidity risk management

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

(%)		**Regulatory standard**	**As at 30 June 2020**	As at 31 December 2019	As at 31 December 2018
Liquidity ratio[1]	RMB	≥25	**50.33**	51.87	47.69
	Foreign currency	≥25	**74.44**	68.29	84.88
Loan-to-deposit ratio[2]	RMB		**76.47**	77.68	73.71

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the CBIRC.

The liquidity coverage ratio of a commercial bank is the high-quality liquid assets divided by net cash outflows in the future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group for the second quarter of 2020 was 142.66%, meeting the regulatory requirements. It dropped by 16.96 percentage points from the previous quarter, mainly due to the increase in net cash outflow caused by the increase in operational deposits (excluding agent bank business) and the decrease in mortgage (pledged) lending (including reverse repurchase and borrowed securities).

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

(In millions of RMB, except percentages)	**Second quarter 2020**	First quarter 2020	Fourth quarter 2019
High-quality liquid assets	**4,581,133**	4,556,824	4,323,267
Net cash outflows	**3,218,186**	2,866,173	2,806,467
Liquidity coverage ratio (%)[1]	**142.66**	159.62	154.83

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

Net stable funding ratio is the available stable funding divided by required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. At the end of June 2020, the Group's net stable funding ratio was 126.40%, meeting the regulatory requirements. It was up by 0.32 percentage points compared to that at the end of March 2020, mainly due to the increase in retail deposits, deposits from small business customers and wholesale funding. It was down by 2.72 percentage points compared to that at the end of 2019, mainly due to the increase of loans and securities.

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

(In millions of RMB, except percentages)	**As at 30 June 2020**	As at 31 March 2020	As at 31 December 2019
Available stable funding	**19,113,227**	18,816,339	17,720,370
Required stable funding	**15,121,178**	14,923,874	13,723,611
Net stable funding ratio (%)	**126.40**	126.08	129.12

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

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

(In millions of RMB)	**Indefinite**	**Repayable on demand**	**Within one month**	**Between one and three months**	**Between three months and one year**	**Between one and five years**	**More than five years**	**Total**
Net gaps as at 30 June 2020	**2,749,726**	**(11,649,999)**	**(485,412)**	**(57,771)**	**485,141**	**2,101,489**	**9,158,143**	**2,301,317**
Net gaps as at 31 December 2019	2,700,022	(10,568,933)	37,627	(483,565)	(183,339)	2,445,984	8,287,331	2,235,127

The Group regularly monitored the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. At the end of June 2020, the cumulative maturity gap of the Group was RMB2,301,317 million, an increase of RMB66,190 million over the end of 2019. The negative gap for repayment on demand was RMB11,649,999 million, an increase of RMB1,081,066 million over the end of 2019, mainly due to the relatively fast growth of deposits with the expansive customer base. Considering the low turnover rate of the Group's demand deposits and steady growth of deposits, the Group expects to enjoy a steady source of funding and maintain a stable liquidity position in the future.

3.3.5 Reputational Risk Management

The Group continued to improve its reputational risk management system and mechanism, and enhanced its competence in managing reputational risk. It strengthened the publicity and reputational risk management at the bank level and enhanced guidance to overseas entities. It further strengthened the public opinion monitoring and coordination between Head Office and branches, parent company and subsidiaries, domestic and overseas branches, to timely detect any adverse public opinions and send early warnings to resolve crisis in time. During the reporting period, the Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation.

3.3.6 Country Risk Management

In the context of increasingly complex international political and economic situation, the Group continued to strengthen country risk management. It adopted a range of tools to manage the country risk, including evaluation and rating, risk limit, exposure measurement, provisioning, stress testing, monitoring and early warning, and emergency responses. It revised country risk management policies, carried out country risk monitoring, early warning and emergency response, and re-examined the ratings and risk limits of certain countries and regions. It optimised country risk management system and focused on improving proactive management capabilities. The Group's country risk exposure was mainly concentrated in countries or regions with "low" or "relatively low" country risk, and the overall country risk was maintained at a reasonable level.

3.3.7 Consolidated Management

The Bank continuously enhanced consolidated management and reinforced various aspects of consolidated management, including business collaboration at the group level, corporate governance, risk management and capital management. It strengthened the strategic management of subsidiaries and deepened the building of the parent-subsidiary coordination system. It optimised the corporate governance mechanism of subsidiaries and clarified that the board of subsidiaries was responsible for risk management. It established annual market risk limit policy and enhanced centralised credit approval management of the Group. It continued to optimise the consolidated management system and improved the automation level of consolidated management.

3.3.8 Internal Audit

Taking into account COVID-19 prevention and control situation and regulatory requirements, the Bank organised and implemented systematic audit projects such as dynamic audits on credit business, cross-financial business, and finance and operation, as well as audits on related party transactions, agency business, credit card business, collateral management, and outsourcing business. The Bank performed in-depth analysis on the underlying causes of identified issues, so as to drive relevant departments and branches to continuously improve management mechanisms, business processes and internal management, and to effectively promote the stable and compliant development of the Bank's operation and management.

3.4 Capital Management

The Group adheres to a robust and prudent capital management strategy. It strengthens capital constraint and incentives and promotes intensive capital management to continuously enhance the efficiency of capital use. The Group relies both on internal capital accumulation and external capital replenishment, and maintains a capital adequacy standard that is constantly above the regulatory requirements with proper safety margin and buffer zone.

In the first half of 2020, the Group gave full play to the role of counter-cyclical capital adjustment, maintained a balanced development of business, profits and risks, and further promoted business structure optimisation while serving the development of the real economy and actively supporting financial services for COVID-19 prevention and control. It improved the capital planning evaluation system, laid a solid foundation for the application of FinTech and data, and stepped up efforts in promoting intensive capital management. The Group studied and judged changes in business environment, completed the capital planning for 2021-2023, and issued US$2 billion overseas Tier-2 capital bonds, thereby further consolidating its capital strength.

3.4.1 Capital Adequacy Ratios

Capital adequacy ratios

In accordance with the regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded). At the end of June, considering relevant rules for the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 16.62%, 13.88% and 13.15%, respectively, all in compliance with the regulatory requirements.

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

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	**2,155,008**	**2,000,845**	2,089,976	1,938,236
Tier 1 capital after regulatory adjustments	**2,274,724**	**2,104,811**	2,209,692	2,046,546
Total capital after regulatory adjustments	**2,722,353**	**2,551,364**	2,637,588	2,468,041
Common Equity Tier 1 ratio (%)	**13.15**	**13.09**	13.88	13.88
Tier 1 ratio (%)	**13.88**	**13.78**	14.68	14.65
Total capital ratio (%)	**16.62**	**16.70**	17.52	17.67

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

Risk-weighted assets

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The financial institution credit risk exposures and corporate credit risk exposures that meet regulatory requirements are calculated with the foundation internal ratings-based approach, the retail credit risk exposures are calculated with the internal ratings-based approach, the market risk capital requirements are calculated with the internal models approach, and the operational risk capital requirements are calculated with the standardised approach.

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

(In millions of RMB)	**As at 30 June 2020**	As at 31 December 2019
Credit risk-weighted assets	**15,116,903**	13,788,746
Covered by the internal ratings-based approach	**10,625,894**	8,748,138
Uncovered by the internal ratings-based approach	**4,491,009**	5,040,608
Market risk-weighted assets	**125,807**	123,700
Covered by the internal models approach	**71,808**	74,509
Uncovered by the internal models approach	**53,999**	49,191
Operational risk-weighted assets	**1,140,845**	1,140,845
Additional risk-weighted assets due to the application of capital floor	**–**	–
Total risk-weighted assets	**16,383,555**	15,053,291

3.4.2 Leverage Ratio

The Group calculated leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. At the end of 30 June 2020, the Group's leverage ratio was 7.84%, meeting the regulatory requirements.

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

(In millions of RMB, except percentages)	**As at 30 June 2020**	As at 31 March 2020	As at 31 December 2019	As at 30 September 2019
Leverage ratio (%)	**7.84**	8.14	8.28	8.27
Tier 1 capital after regulatory adjustments	**2,274,724**	2,311,145	2,209,692	2,126,153
On and off-balance sheet assets after adjustments	**29,023,947**	28,404,807	26,694,733	25,720,002

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

3.5 Prospects

In the second half of 2020, COVID-19 continues to spread around the globe, and its incidence overseas is likely to stay at the peak level for a long period. The IMF and the World Bank forecast that global economy would shrink by 4.9% and 5.2% in 2020, respectively. As the pandemic situation in China gradually stabilises under effective prevention and control, the country presses ahead with the resumption of work and production. China's economy is expected to recover gradually, but will still be subject to the impact of COVID-19 due to considerable pressures from preventing imported cases and withstanding global economic risk.

The banking industry is facing a more complex and volatile external environment. On the one hand, with the continual global spread of COVID-19 and deepening world economic recession, the downward pressures on China's economy continue to exist, and will affect the banks' asset quality and dampen the growth of their income and profits. The rising geopolitical tensions and deepening economic and trade frictions between some countries bring increasing instability and uncertainty. This together with the obstruction to globalisation makes it more difficult for China's economy to enter the stage of high-quality development, and bring greater uncertainties to the development of banks. The intensified cross-sector competition in business fields such as mobile payment, consumer finance and microfinance also affect the business and income structure of banks. On the other hand, huge demand for financial services from key areas such as the construction of new infrastructures, new urbanisation and major engineering projects, advanced manufacturing, industrial and supply chains, inclusive finance, private enterprises, and agriculture-related areas will become a major support for the development of banking business. The measures to cut taxes and administrative fees by the Chinese government and the initiatives of financial institutions to surrender parts of their profits to support the real economy will help market players withstand the impact of COVID-19, build up market confidence and vitality of enterprises, especially micro, small and medium businesses and private businesses, and create favourable external conditions for the sound operation of banks. COVID-19 clearly has a catalytic effect on the development and application of digital technology, and the acceleration of digital transformation of the banks will help improve their market competitiveness.

Adhering to the concept of prudent operation and value creation, the Group will coordinate its efforts in COVID-19 prevention and control and support to economic and social development, innovate its digitalised operation model, and improve the quality and efficiency through refined management. The Group will focus on the following tasks: Firstly, it will improve asset structure, meet credit demand in key areas, and increase efforts to serve the real economy. Secondly, it will strengthen its funding efforts and maintain a sound growth momentum of core deposit business. Thirdly, it will analyse credit risk in a forward-looking manner, make sufficient provisions, strengthen risk assets disposal through multiple channels, and consolidate the foundation of asset quality. Fourthly, it will further promote digitalised operation in daily management with focus on customer operation, and improve the digitalised operation mechanism constantly.

Discussions on Key Topics in Business Development

Reform on Loan Prime Rate (LPR) Mechanism

In the first half of 2020, the Bank actively implemented regulatory requirements by significantly expanding the application of LPR, and accelerated the transition to LPR for outstanding loans. At the end of June 2020, the proportion of newly-granted loans adopting LPR was 98% of the total, and the LPR transition rate for outstanding corporate loans was 81%. With the gradual adoption of LPR, loan interest rate fell in tandem with the LPR. In the first half of 2020, the interest rates of newly-granted corporate loans, inclusive finance loans and personal consumer loans fell each quarter, down 50, 56 and 68 basis points, respectively from 2019; the interest rates of newly-granted residential mortgages remained basically stable, down three basis points from 2019.

The Bank will continue to promote the adoption of LPR, refer to LPR in pricing for all newly-granted loans, and orderly promote LPR conversion of outstanding loans. It will strengthen the application of LPR in pricing authorisation, internal fund transfers pricing and business policy transmission, and take the opportunity of LPR reform to promote the transmission of interest rate decline to liabilities.

Net Fee and Commission Income

In the first half of 2020, despite the impact of COVID-19 and its reduction and exemption of service fees, the Group reaped net fee and commission income of RMB80,021 million, an increase of 4.34% over the same period of 2019, by focusing on market opportunities and customer demands with the help of digitalised operation. In light of the policies to actively expand household consumption, the Group achieved rapid development of products such as credit cards and online payment. It seized the opportunity of innovation and development of the capital market to promote the rapid development of businesses such as agency fund sales. It took the opportunity of rising financing demand of enterprises and accelerated issuance of local government bonds to promote the development of its bond underwriting business. In light of the opportunities of fast resumption of work and production of enterprises, construction of major projects and upgrading of industries, it accelerated the development of businesses such as domestic letters of guarantee, consulting and syndicated loans by leveraging its advantages in infrastructure sectors.

The Group will continue to promote its financial service ability, promote product optimisation and innovation, increase FinTech investments, and focus on business opportunities brought by customers' needs in areas such as the payment and settlement, consumer finance, asset management and agency services. It will provide differentiated and customised financial services together with standardised services for customers, strengthen customer base and improve customer experience to maintain a stable fee income growth.

Deposits from Customers

The Group actively pushed forward digitalised operation, and systematically attracted customers and deposits from a network perspective. It adhered to its strategy of balanced development in terms of volume and price, and intensified efforts to attract settlement funds and stable funds. As a result, the quality and efficiency of deposit growth were enhanced notably. At the end of June 2020, the Group's deposits from customers increased by RMB2.04 trillion, or 11.08%, over the end of 2019. In terms of average balance, the Group's deposits from customers increased by RMB1.53 trillion, or 8.65%, over the end of 2019. Specifically, domestic demand deposits of the Bank increased by RMB1.07 trillion, or 11.60%, over the end of 2019. The interest rate of deposits from customers in the first half of 2020 was 1.58%, remaining relatively low. From the perspective of composition of customers, the Bank's domestic personal deposits increased by 12.13%, mainly because the Bank actively attracted funding sources such as agency salary disbursement, sped up the operation of payment and settlement scenarios, and expanded the total funds from personal customers. The Bank's domestic corporate deposits increased by 10.35%, mainly because the Bank persisted in providing good lifetime treasury services for corporate customers, and with insights of the pattern of fund flow, it formed closed loops of fund operation by clearing fund flow paths, retaining funds that flowed out and attracting them back to increase its deposit balance.

The Group will focus on "building ecology, creating scenarios and expanding users", and integrate the model of digitalised operation with traditional model. It will continuously consolidate its customer, account and product bases, seize the market opportunities of accelerated recovery of the real economy, and focus on key customers, key areas and key links of fund flow so as to stabilise and expand its deposits, improve its management ability to strike a balance between volume and price, and promote the high-quality development of its deposit business.

Capital Management

The Group adhered to a robust and prudent capital management strategy, maintained sufficient and well-structured capital, and was capable to give full play to the role of counter-cyclical adjustments of capital. At the end of June 2020, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio were 16.62%, 13.88%, and 13.15%, down 0.90, 0.80 and 0.73 percentage points respectively over the end of 2019. Against the backdrop of preferential credit price, fee reduction and exemption, and deterioration in credit asset quality due to economic downturn, the net profit decreased as compared to the first half of 2019. The growth rate of internal capital was 4.51 percentage points lower than that of risk-weighted assets. In addition, the Group increased loan supply, strengthened the use of short-term funds in financial institutions business and met financing needs of key customers. The growth rate of risk-weighted assets was 5.63 percentage points higher than that of capital.

The Group will promote the adjustment of business structure, optimise the planning and evaluation mechanism of capital, improve the level of intensive and refined capital management, and further enhance capital saving. It will press ahead with external financing and complete the issuance of RMB80 billion Tier 2 capital instruments approved by the Board, so as to further enhance its capital strength.

Asset Quality

In the first half of 2020, the Group strengthened proactive management of credit risks, fully released risks and increased provisions. At the end of June 2020, the Group's NPLs amounted to RMB245,516 million, an increase of RMB33,043 million over the end of 2019, mainly due to the increase of domestic corporate NPLs. The Group's NPL ratio was 1.49%, an increase of 0.07 percentage points over the end of 2019. Specifically, the NPL ratios of domestic corporate loans and personal loans were 2.47%, and 0.43% respectively. The NPL ratio of overseas operations and subsidiaries was 1.48%. In the first half of 2020, the Group's provisions for credit impairment losses on loans and advances to customers totalled RMB105,534 million, an increase of RMB35,747 million or 51.22% over the same period of 2019. Specifically, provisions for credit impairment losses on domestic corporate loans and discounted bills amounted to RMB82,298 million, an increase of RMB21,703 million or 35.82% over the same period of 2019, while provisions for credit impairment losses on domestic personal loans amounted to RMB21,542 million, an increase of RMB12,234 million or 131.44% over the same period of 2019.

At present, China presses ahead with COVID-19 prevention and control and economic and social high-quality development in a coordinated manner and achieved better-than-expected economic growth in the second quarter. However, COVID-19 has yet not been effectively controlled in some countries and regions, and the international economic environment is complex and challenging. The Group will continue to improve the comprehensive, proactive and intelligent system for risk prevention, monitoring and management, take active measures and adopt innovative management approaches, constantly improve risk management ability, and strive to achieve a long-term balance between business development and risk prevention and control.

4 Changes in Share Capital and Particulars of Shareholders

4.1 Changes in Ordinary Shares

Unit: share

	1 January 2020		Changes during the reporting period					30 June 2020	
	Number of shares	Percentage (%)	Issuance of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	93,566,862,249	37.42	–	–	–	–	–	93,566,862,249	37.42
3. Others[1]	146,850,457,631	58.74	–	–	–	–	–	146,850,457,631	58.74
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank not subject to selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid, and Yangtze Power.

4.2 Number of Ordinary Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had a total of 374,107 ordinary shareholders, of whom 41,974 were holders of H-shares and 332,133 were holders of A-shares.

Unit: share

Total number of ordinary shareholders	**374,107 (Total number of registered holders of A-shares and H-shares as at 30 June 2020)**

Particulars of shareholding of the top ten ordinary shareholders

Name of ordinary shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held	Number of shares pledged or frozen
Huijin [1]	State	57.03	–	142,590,494,651 (H-shares)	None
		0.08	–	195,941,976 (A-shares)	None
HKSCC Nominees Limited[1,2]	Foreign legal person	36.87	+5,861,657	92,184,934,692 (H-shares)	Unknown
China Securities Finance Corporation Limited	State-owned legal person	0.88	–	2,189,259,768 (A-shares)	None
Baowu Steel Group[2]	State-owned legal person	0.80	–	1,999,556,250 (H-shares)	None
State Grid[2, 3]	State-owned legal person	0.64	–	1,611,413,730 (H-shares)	None
Reca Investment Limited	Foreign legal person	0.34	–	856,000,000 (H-shares)	None
Yangtze Power[2]	State-owned legal person	0.26	–	648,993,000 (H-shares)	None
Hong Kong Securities Clearing Company Limited[1]	Foreign legal person	0.21	-62,929,212	516,920,223 (A-shares)	None
Central Huijin Asset Management Ltd.[1]	State-owned legal person	0.20	–	496,639,800 (A-shares)	None
Taiping Life Insurance Co., Ltd. — Traditional — Ordinary insurance product — 022L-CT001SH	Others	0.07	+35,464,787	168,783,482 (A-shares)	None

1. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
2. As at 30 June 2020, State Grid and Yangtze Power held 1,611,413,730 H-shares and 648,993,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited; Baowu Steel Group held 1,999,556,250 H-shares of the Bank, in which 599,556,250 H-shares were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid and Yangtze Power, as well as 599,556,250 H-shares held by Baowu Steel Group, 92,184,934,692 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which also included the H-shares held by Temasek Holdings (Private) Limited.
3. As at 30 June 2020, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid International Development Co., Ltd. held 296,131,000 shares, and State Grid International Development Limited held 1,315,282,730 shares.
4. None of the shares held by the aforesaid shareholders were subject to selling restrictions.

4.3 Changes in Controlling Shareholders and Actual Controlling Parties

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

4.4 Substantial Shareholders' Interests and Short Positions

On 30 June 2020, the interests and short positions of substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the *Securities and Futures Ordinance* of Hong Kong were as follows:

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

1. On 29 December 2015, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 692,581,776 A-shares of the Bank, accounting for 7.22% of the A-shares issued (9,593,657,606 shares) and 0.28% of the ordinary shares issued (250,010,977,486 shares), in which 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by its wholly-owned subsidiary Central Huijin Asset Management Ltd. As at 30 June 2020, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, and Central Huijin Asset Management Ltd., the wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued (224,689,084,000 shares) and 57.03% of the ordinary shares issued (233,689,084,000 shares) at that time. As at 30 June 2020, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of the ordinary shares issued (250,010,977,486 shares) respectively.

4.5 Details of Preference Shares

4.5.1 Details of Issuance and Listing of Preference Shares

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

Stock code of preference shares	Abbreviation of preference shares	Issuance date	Issuance price	Dividend rate (%)	Number of shares issued	Listing date	Number of shares approved to trade
4606	CCB 15USDPREF	2015/12/16	US$20/share	4.65	152,500,000	2015/12/17	152,500,000
360030	建行優1	2017/12/26	RMB100/share	4.75	600,000,000	2018/01/15	600,000,000

4.5.2 Number of Preference Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had 20 preference shareholders (or proxies), including one offshore preference shareholder (or proxy) and 19 domestic preference shareholders.

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

Unit: share

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

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

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

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held	Number of shares pledged or frozen
Bosera Asset Management Co., Limited	Others	26.83	–	161,000,000	None
Shanghai Branch of Bank of China Limited	Others	15.00	+41,000,000	90,000,000	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33	–	50,000,000	None
China Life Insurance Company Limited	Others	8.33	–	50,000,000	None
Truvalue Asset Management Co., Limited	Others	6.67	–	40,000,000	None
China CITIC Bank Corporation Limited	Others	5.00	–	30,000,000	None
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50	–	27,000,000	None
Postal Savings Bank of China Co., Ltd.	Others	4.50	–	27,000,000	None
PICC Asset Management Company Limited	Others	3.33	–	20,000,000	None
AXA SPDB Investment Managers Co., Ltd.	Others	3.33	–	20,000,000	None
E Fund Management Co., Ltd.	Others	3.33	–	20,000,000	None

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

4.5.3 Profit Distribution of Preference Shares

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

4.5.4 Redemption or Conversion of Preference Shares

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

4.5.5 Restoration of Voting Rights of Preference Shares

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

4.5.6 Accounting Policies Adopted for Preference Shares and Causes Thereof

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

5 Profiles of Directors, Supervisors and Senior Management

5.1 Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

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

Supervisors of the Bank

Members of the Bank's board of supervisors include shareholder representative supervisors: Mr. Wang Yongqing, Mr. Wu Jianhang and Mr. Yang Fenglai; employee representative supervisors: Mr. Lu Kegui, Mr. Cheng Yuanguo and Mr. Wang Yi; and external supervisors: Mr. Zhao Xijun, Mr. Liu Huan and Mr. Ben Shenglin.

Senior Management of the Bank

Senior management of the Bank include Mr. Liu Guiping, Mr. Zhang Gengsheng, Mr. Lyu Jiajin, Mr. Ji Zhihong, Mr. Jin Yanmin and Mr. Hu Changmiao.

5.2 Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Upon election at the 2019 annual general meeting of the Bank, Mr. Tian Guoli continued to serve as chairman and executive director of the Bank from June 2020; Ms. Feng Bing and Mr. Zhang Qi continued to serve as non-executive directors of the Bank from June 2020; Mr. Xu Jiandong commenced his position as non-executive director of the Bank from June 2020; Sir Malcolm Christopher McCarthy continued to serve as independent non-executive director of the Bank from June 2020. Upon election at the 2019 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. Michel Madelain commenced his position as independent non-executive director of the Bank from January 2020. Upon approval of the Board of the Bank, Mr. Lyu Jiajin was nominated as executive director of the Bank and Mr. William (Bill) Coen was nominated as independent non-executive director of the Bank. These proposals will be submitted to the shareholders' general meeting of the Bank for consideration, and their qualifications are subject to approvals of the CBIRC.

Mr. Zhu Hailin ceased to serve as non-executive director of the Bank from June 2020 due to expiration of his term of office.

Supervisors of the Bank

Upon election at the 2019 annual general meeting of the Bank, Mr. Yang Fenglai commenced his position as shareholder representative supervisor of the Bank from June 2020, and Mr. Liu Huan and Mr. Ben Shenglin commenced their positions as external supervisors of the Bank from June 2020.

By reason of his age, Mr. Fang Qiuyue ceased to serve as shareholder representative supervisor of the Bank from April 2020.

Senior Management of the Bank

Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Lyu Jiajin commenced his position as executive vice president of the Bank from July 2020. Upon approval of the Board of the Bank, Mr. Wang Hao was nominated as executive vice president of the Bank with his qualification subject to approval of the CBRIC.

Due to retirement, Mr. Huang Yi ceased to serve as executive vice president of the Bank from April 2020. By reason of his age, Mr. Xu Yiming ceased to serve as chief financial officer of the Bank from April 2020.

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

Mr. Xu Jiandong, non-executive director of the Bank, ceased to serve as non-executive director of Agricultural Bank of China Limited from June 2020.

Ms. Anita Fung Yuen Mei, independent non-executive director of the Bank, ceased to serve as independent non-executive director of Westpac Banking Corporation from April 2020.

Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, commenced his position as independent non-executive director of Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited from April 2020.

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

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior management of the Bank. Some of the directors, supervisors and senior management of the Bank indirectly held H-shares of the Bank via the employee stock incentive plan before they assumed their current positions. Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Wu Jianhang held 20,966 H-shares, Mr. Yang Fenglai held 16,789 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Jin Yanmin held 15,739 H-shares and Mr. Hu Changmiao held 17,709 H-shares. For resigned ones, Mr. Xu Yiming held 17,925 H-shares, and Mr. Fang Qiuyue held 21,927 H-shares. Apart from the above, none of the other directors, supervisors or senior management of the Bank held any shares of the Bank.

5.5 Directors' and Supervisors' Securities Transactions

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code during the six months ended 30 June 2020.

Corporate Governance

The Bank is committed to a high standard of corporate governance. In strict compliance with the Company Law of the PRC, the Law of the PRC on Commercial Banks and other laws and regulations, regulatory rules and requirements, as well as the listing rules of the listing venues, the Bank continued to refine its corporate governance mechanism, optimise related rules and improve the effectiveness of corporate governance.

During the reporting period, the Board of the Bank reviewed and approved proposals including 2019 Annual Report, Corporate Social Responsibility Report 2019, 2020 fixed assets investment budget, the capital plan for 2021 to 2023, the authorisation for temporary limit on charitable donations for 2020 and the nomination of directors.

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

Shareholders' General Meeting Convened

On 19 June 2020, the Bank held the 2019 annual general meeting in Beijing, which reviewed and approved proposals including the 2019 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2020 fixed assets investment budget, election of executive directors, non-executive directors, independent non-executive directors, shareholder representative supervisors and external supervisors, the appointment of external auditors for 2020, the authorisation for temporary limit on charitable donations for 2020 and the capital plan for 2021 to 2023.

The executive directors, namely Mr. Tian Guoli, Mr. Liu Guiping and Mr. Zhang Gengsheng, the non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain attended the meeting. The directors' attendance rate was 100%. The domestic and international accounting firms of the Bank, the legal advisor as to PRC laws and the legal advisor as to Hong Kong laws of the Bank attended the meeting. The convening of shareholders' general meeting followed legal procedures in compliance with relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 19 June 2020, and on the Bank's designated newspapers for information disclosure on 20 June 2020.

Formulation and Implementation of Cash Dividend Policy

As approved by the 2019 annual general meeting, the Bank distributed the 2019 cash dividend of RMB0.320 per share (including tax), totalling RMB3,070 million approximately, on 10 July 2020 to its A-share holders whose names appeared on the register of members after the close of market on 9 July 2020; it distributed the 2019 cash dividend of RMB0.320 per share (including tax), totalling RMB76,934 million approximately, on 30 July 2020 to its H-share holders whose names appeared on the register of members after the close of market on 9 July 2020. The Bank does not declare 2020 interim dividend nor does it propose any capitalisation of capital reserve into share capital.

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

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

Performance of Undertakings

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

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

As of 30 June 2020, Huijin had not breached any of the above undertakings.

Material Litigations and Arbitrations

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

Purchase, Sale and Redemption of Shares

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

Penalties

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

Integrity

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

Progress of Implementation of Employee Stock Incentive Plan

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

Related Party Transactions

During the reporting period, the Bank had no material related party transaction. For the details of related party transactions, please refer to Note "Related party relationships and transactions" to the financial statements.

Material Contracts and Their Performance

On 24 May 2019, the PBC and the CBIRC jointly announced that Baoshang Bank Co., Ltd. was taken over. The takeover team entrusted the Bank to take the business of Baoshang Bank Co., Ltd. into custody lasting one year. The Bank carried out the work in accordance with the custody agreement under the guidance of the takeover team. In late May 2020, the Bank has successfully completed various custodial tasks and has completed the custodial work of Baoshang Bank Co., Ltd. This matter had no material influence on the Bank's operational management and profitability. Apart from this, during the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies.

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

Other Shareholding or Share Participations

In July 2020, approved by the Beijing Bureau of the CBIRC, the registered capital of CCB Trust increased from RMB2,467 million to RMB10,500 million. The proportion of shareholding of the Bank in CCB Trust remains unchanged. The subsequent matters related to the capital injection are currently in progress. Please refer to the announcement published by the Bank on 17 July 2020 for details.

In July 2020, approved by the CBIRC, the registered capital of CCB Life increased from RMB4,496 million to RMB7,120 million. The proportion of shareholding of the Bank in CCB Life remains unchanged. The subsequent matters related to the capital injection are currently in progress. Please refer to the announcement published by the Bank on 29 April 2019 for details.

In July 2020, the Bank signed an agreement as a sponsor, undertaking to invest RMB8 billion in the National Green Development Fund Co., Ltd within five years. Please refer to the announcement published by the Bank on 16 July 2020 for details.

In July 2020, CCB Financial Leasing completed the procedures related to the capital injection. The registered capital of CCB Financial Leasing increased from RMB8,000 million to RMB11,000 million. Please refer to the announcement published by the Bank on 22 April 2020 for details.

In July 2020, CCB Europe completed the procedures related to the capital injection. The registered capital of CCB Europe increased from EUR200 million to EUR550 million. Please refer to the announcement published by the Bank on 30 October 2019 for details.

In April 2020, the Bank has completed the third capital contribution of RMB750 million to the National Financing Guarantee Fund Co., Ltd. A total capital contribution of RMB3 billion will be made in annual installment for four years. Please refer to the announcement published by the Bank on 31 July 2018 for details.

Environmental Protection

The Bank established the related party transaction, social responsibility and consumer protection committee at the Board level to formulate the green credit strategy and monitor the implementation, and the green finance committee at senior management level to coordinate and promote green finance initiatives. In the first half of 2020, the green finance committee formulated and issued several policies and measures that focus on increasing green loans and cultivating new advantages of green finance. The Bank consolidated business advantages in traditional green fields such as clean transportation and clean energy, actively expanded footprints in emerging green fields such as energy conservation, emission reduction, pollution prevention and ecological restoration, supported enterprises with advanced pollution prevention and control technologies, and assisted enterprises with high pollution and high energy consumption on clean energy transformation programme. By the end of June 2020, the balance of green loans was RMB1,294,305 million, an increase of RMB118,504 million, or 10.08% over the end of 2019.

The Bank incorporated and implemented green concept in procurement management. It introduced stringent supplier access criteria in respect of green environmental protection, energy conservation and emission reduction, and included the environmental protection and energy conservation performance of suppliers for business vehicles, self-service cash machines, office furniture and other products as important factors in making procurement decisions. The Bank also rectified the recycling of its used UPS batteries.

Protection of Consumer Rights and Interests

Adhering to the customer-centric business philosophy, the Bank attached great importance to its work at consumer rights and interests protection, proactively protected consumer rights and interests, and exerted great efforts on improving customer satisfaction. In the first half of 2020, the Bank further improved the building of system and mechanism of consumer rights and interest protection, and consolidated the management foundation. It launched a management capability improvement project for consumer rights and interest protection, optimised related assessment standards, and guaranteed the effective implementation of related requirements. It fully safeguarded the rights and interests of consumers during the pandemic, and promptly disclosed to the public the information of temporarily closed or adjusted business hours of its outlets. It appropriately adjusted the double recording requirements to allow customers and employees to wear masks at the same time to reduce the risk of pandemic transmission. By using new media and other channels, the Bank spread risk prevention knowledge to consumers to keep their property safe. The Bank organised a series of activities during the “15 March Education and Publicity Week for Consumer Rights and Interests Protection”, reaching over 100 million consumers in total.

The Bank effectively protected the security of customer information by focusing on multiple aspects including rules and procedures, IT system control and staff training. It formulated a series of rules for customer information security management based on the business practices. It built a bank-wide integrative internet and information security management system preventing the leakage of information from inside and security threat from outside. The Bank attached great importance to the information system security, carried out inspection of security technologies for all IT systems on a regular basis, and carried out additional inspection each time before new systems are put into operation. It deepened FinTech innovation and application, developed a more intelligent risk control system, and promoted its ability in preventing potential risks and responding to fraudulence problems. In the first half of 2020, the Bank has intercepted 20,300 fraud risk incidents and prevented financial loss of RMB128 million for customers through intelligent risk control measures, and processed and closed 5,838 phishing websites and payment links.

Performance of the Social Responsibilities for Targeted Poverty Alleviation

The Bank attaches great importance to the work of poverty alleviation. It strengthened its poverty alleviation efforts by organising a bank-wide poverty alleviation conference to mobilise all its resources, formulated its action plan “Beyond 2020” for targeted poverty alleviation as a financial institution, focused on areas of extreme poverty and the poverty alleviation regions paired up with the head office and branches, optimised policy guarantees, strengthened development driven by innovation, deepened science and technology empowerment, and vigorously contributed to poverty alleviation by product development. The Bank leveraged on the advantages of the Group, adhered to poverty alleviation by engaging in public welfare programmes, built a long-term mechanism for financial poverty alleviation, and developed product and service innovations in line with local conditions to support poverty alleviation and rural revitalisation. In accordance with the PBC statistical standard, the balance of targeted poverty alleviation loans of the Bank was RMB234,129 million at the end of June, an increase of RMB14,622 million over the end of the last year.

Major Events

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

Review of Half-Year Report

The Group’s 2020 half-year financial statements prepared under PRC GAAP have been reviewed by Ernst & Young Hua Ming LLP, and the Group’s 2020 half-year financial statements prepared under IFRS have been reviewed by Ernst & Young.

The Group’s 2020 half-year report has been reviewed by the Audit Committee of the Bank.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Board of Directors of China Construction Bank Corporation
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim condensed financial information set out on pages 67 to 165, which comprises the consolidated statement of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") as at 30 June 2020 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and other condensed explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
28 August 2020

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8 Half-Year Financial Statements

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Notes to the financial statements:

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Interest income		**470,522**	432,446
Interest expense		**(204,029)**	(182,010)
Net interest income	3	**266,493**	250,436
Fee and commission income		**88,755**	84,167
Fee and commission expense		**(8,734)**	(7,472)
Net fee and commission income	4	**80,021**	76,695
Net trading gain	5	**3,313**	4,858
Dividend income	6	**1,496**	414
Net gain arising from investment securities	7	**3,984**	6,541
Net gain on derecognition of financial assets measured at amortised cost	8	**1,381**	1,435
Other operating income, net:			
– Other operating income		**32,779**	21,505
– Other operating expense		**(29,543)**	(17,497)
Other operating income, net	9	**3,236**	4,008
Operating income		**359,924**	344,387
Operating expenses	10	**(79,805)**	(78,549)
		280,119	265,838
Credit impairment losses	11	**(111,378)**	(74,638)
Other impairment losses	12	**(188)**	(148)
Share of profits of associates and joint ventures		**220**	128
Profit before tax		**168,773**	191,180
Income tax expense	13	**(29,834)**	(35,472)
Net profit		**138,939**	155,708
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**160**	110
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		**(277)**	318
Others		**–**	(3)
Subtotal		**(117)**	425
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		**6,825**	(168)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		**605**	1,359
Reclassification adjustments included in profit or loss due to disposals		**(377)**	(93)
Net gain/(loss) on cash flow hedges		**115**	(174)
Exchange difference on translating foreign operations		**180**	(76)
Subtotal		**7,348**	848
Other comprehensive income for the period, net of tax		**7,231**	1,273
Total comprehensive income for the period		**146,170**	156,981

The notes on pages 74 to 165 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Net profit attributable to:			
Equity shareholders of the Bank		**137,626**	154,190
Non-controlling interests		**1,313**	1,518
		138,939	155,708
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**144,813**	155,796
Non-controlling interests		**1,357**	1,185
		146,170	156,981
Basic and diluted earnings per share (in RMB Yuan)	14	**0.55**	0.62

The notes on pages 74 to 165 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020
(Expressed in millions of RMB, unless otherwise stated)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Assets:			
Cash and deposits with central banks	15	**2,465,389**	2,621,010
Deposits with banks and non-bank financial institutions	16	**834,777**	419,661
Precious metals		**140,441**	46,169
Placements with banks and non-bank financial institutions	17	**509,581**	531,146
Positive fair value of derivatives	18	**25,157**	34,641
Financial assets held under resale agreements	19	**452,258**	557,809
Loans and advances to customers	20	**15,927,785**	14,540,667
Financial investments	21		
Financial assets measured at fair value through profit or loss		**681,550**	675,361
Financial assets measured at amortised cost		**4,145,782**	3,740,296
Financial assets measured at fair value through other comprehensive income		**1,911,069**	1,797,584
Long-term equity investments	22	**11,844**	11,353
Fixed assets	24	**167,014**	170,740
Land use rights	25	**14,472**	14,738
Intangible assets	26	**4,373**	4,502
Goodwill	27	**2,729**	2,809
Deferred tax assets	28	**83,400**	72,314
Other assets	29	**277,626**	195,461
Total assets		**27,655,247**	25,436,261
Liabilities:			
Borrowings from central banks	31	**592,967**	549,433
Deposits from banks and non-bank financial institutions	32	**1,757,711**	1,672,698
Placements from banks and non-bank financial institutions	33	**469,741**	521,553
Financial liabilities measured at fair value through profit or loss	34	**412,578**	281,597
Negative fair value of derivatives	18	**38,736**	33,782
Financial assets sold under repurchase agreements	35	**124,898**	114,658
Deposits from customers	36	**20,402,162**	18,366,293
Accrued staff costs	37	**35,248**	39,075
Taxes payable	38	**48,953**	86,635
Provisions	39	**44,216**	42,943
Debt securities issued	40	**913,863**	1,076,575
Deferred tax liabilities	28	**549**	457
Other liabilities	41	**512,308**	415,435
Total liabilities		**25,353,930**	23,201,134
Equity:			
Share capital	42	**250,011**	250,011
Other equity instruments	43		
Preference shares		**79,636**	79,636
Perpetual bonds		**39,991**	39,991
Capital reserve	44	**134,537**	134,537
Other comprehensive income	45	**39,173**	31,986
Surplus reserve	46	**249,178**	249,178
General reserve	47	**314,521**	314,389
Retained earnings	48	**1,174,019**	1,116,529
Total equity attributable to equity shareholders of the Bank		**2,281,066**	2,216,257
Non-controlling interests		**20,251**	18,870
Total equity		**2,301,317**	2,235,127
Total liabilities and equity		**27,655,247**	25,436,261

Approved and authorised for issue by the Board of Directors on 28 August 2020.

Liu Guiping	**Kenneth Patrick Chung**	**Graeme Wheeler**
Vice Chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 74 to 165 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020
(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2020	**250,011**	**79,636**	**39,991**	**134,537**	**31,986**	**249,178**	**314,389**	**1,116,529**	**18,870**	**2,235,127**
Movements during the period	**–**	**–**	**–**	**–**	**7,187**	**–**	**132**	**57,490**	**1,381**	**66,190**
(1) Total comprehensive income for the period	**–**	**–**	**–**	**–**	**7,187**	**–**	**–**	**137,626**	**1,357**	**146,170**
(2) Changes in share capital										
i Capital injection by other shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**75**	**75**
ii Change in shareholdings in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**58**	**58**
iii Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
(3) Profit distribution										
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**–**	**132**	**(132)**	**–**	**–**
ii Dividends to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(80,004)**	**–**	**(80,004)**
iii Dividends to non-controlling interests holders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(95)**	**(95)**
As at 30 June 2020	**250,011**	**79,636**	**39,991**	**134,537**	**39,173**	**249,178**	**314,521**	**1,174,019**	**20,251**	**2,301,317**

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

The notes on pages 74 to 165 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	(Audited)									
	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2019	250,011	79,636	–	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594
Movements during the year	–	–	39,991	–	13,535	25,947	34,664	125,657	3,739	243,533
(1) Total comprehensive income for the year	–	–	–	–	13,535	–	–	266,733	2,500	282,768
(2) Changes in share capital										
i Capital injection by other shareholders	–	–	–	–	–	–	–	–	1,980	1,980
ii Capital injection by other equity instrument holders	–	–	39,991	–	–	–	–	–	–	39,991
iii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	(196)	(196)
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	25,947	–	(25,947)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	34,664	(34,664)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	–	(76,503)
iv Dividends to preference shareholders	–	–	–	–	–	–	–	(3,962)	–	(3,962)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(545)	(545)
As at 31 December 2019	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127

The notes on pages 74 to 165 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2020
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities:			
Profit before tax		**168,773**	191,180
Adjustments for:			
– Credit impairment losses	11	**111,378**	74,638
– Other impairment losses	12	**188**	148
– Depreciation and amortisation	10	**13,070**	11,334
– Interest income from impaired financial assets		**(1,710)**	(1,558)
– Revaluation loss/(gain) on financial instruments at fair value through profit or loss		**484**	(2,758)
– Share of profits of associates and joint ventures		**(220)**	(128)
– Dividend income	6	**(1,496)**	(414)
– Unrealised foreign exchange loss/(gain)		**1,823**	(1,377)
– Interest expense on bonds issued		**8,432**	8,450
– Interest income from investment securities and net income from disposal	7	**(101,697)**	(99,039)
– Net loss on disposal of fixed assets and other long-term assets		**21**	14
		199,046	180,490
Changes in operating assets:			
Net (increase)/decrease in deposits with central banks and with banks and non-bank financial institutions		**(605,099)**	116,955
Net increase in placements with banks and non-bank financial institutions		**(24,339)**	(46,175)
Net increase in loans and advances to customers		**(1,458,816)**	(789,557)
Net decrease/(increase) in financial assets held under resale agreements		**105,505**	(248,393)
Net decrease/(increase) in financial assets held for trading purposes		**31,373**	(29,049)
Net increase in other operating assets		**(184,720)**	(48,474)
		(2,136,096)	(1,044,693)
Changes in operating liabilities:			
Net increase/(decrease) in borrowings from central banks		**38,549**	(106,020)
Net (decrease)/increase in placements from banks and non-bank financial institutions		**(57,500)**	21,599
Net increase in deposits from customers and from banks and non-bank financial institutions		**2,073,737**	1,114,318
Net increase in financial assets sold under repurchase agreements		**10,031**	4,513
Net (decrease)/increase in certificates of deposit issued		**(167,508)**	22,312
Income tax paid		**(81,859)**	(64,183)
Net increase/(decrease) in financial liabilities measured at fair value through profit or loss		**130,648**	(128,525)
Net increase in other operating liabilities		**53,652**	114,367
		1,999,750	978,381
Net cash from operating activities		**62,700**	114,178

The notes on pages 74 to 165 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Cash flows from investing activities:			
Proceeds from sales and redemption of financial investments		**782,014**	877,517
Interest and dividends received		**97,230**	67,052
Proceeds from disposal of fixed assets and other long-term assets		**473**	533
Purchase of investment securities		**(1,319,629)**	(1,150,565)
Purchase of fixed assets and other long-term assets		**(6,203)**	(5,402)
Acquisition of subsidiaries, associates and joint ventures		**(2,580)**	(2,604)
Cash payment for other investing activities		**(21)**	–
Net cash used in investing activities		**(448,716)**	(213,469)
Cash flows from financing activities:			
Issue of bonds		**25,947**	18,762
Cash received from subsidiaries' capital injection by non-controlling interests holders		**75**	–
Dividends paid		**(95)**	–
Repayment of borrowings		**(36,884)**	(32,003)
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity		**(19)**	–
Interest paid on bonds issued		**(3,418)**	(3,340)
Cash payment for other financing activities		**(3,939)**	(3,311)
Net cash used in financing activities		**(18,333)**	(19,892)
Effect of exchange rate changes on cash and cash equivalents		**4,766**	(293)
Net decrease in cash and cash equivalents		**(399,583)**	(119,476)
Cash and cash equivalents as at 1 January	49	**1,052,340**	860,702
Cash and cash equivalents as at 30 June	49	**652,757**	741,226
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		**358,058**	333,719
Interest paid, excluding interest expense on bonds issued		**(159,512)**	(159,796)

The notes on pages 74 to 165 form part of these financial statements.

1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 30 June 2020, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

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

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

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

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

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2019. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

(2) Use of estimates and assumptions

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

(3) Consolidation

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

(4) Changes in significant accounting policies

The Group has adopted the following amendments for the first time for the current interim period.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	COVID-19-Related Rent Concessions (early adopted)

The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

(5) Taxation

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

Value added tax ("VAT")

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

City construction tax

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

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

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

(6) Interim financial statements

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 28 August 2020. The interim financial statements have also been reviewed by the Bank's auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial statements is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2020.

(Expressed in millions of RMB, unless otherwise stated)

3 Net interest income

	Six months ended 30 June	
	2020	2019
Interest income arising from:		
Deposits with central banks	**17,688**	17,606
Deposits with banks and non-bank financial institutions	**7,608**	5,962
Placements with banks and non-bank financial institutions	**5,517**	5,511
Financial assets held under resale agreements	**5,321**	4,603
Investment securities	**97,783**	92,498
Loans and advances to customers		
– Corporate loans and advances	**180,145**	167,373
– Personal loans and advances	**150,041**	132,792
– Discounted bills	**6,419**	6,101
Total	**470,522**	432,446
Interest expense arising from:		
Borrowings from central banks	**(9,136)**	(7,222)
Deposits from banks and non-bank financial institutions	**(21,778)**	(17,081)
Placements from banks and non-bank financial institutions	**(5,562)**	(7,388)
Financial assets sold under repurchase agreements	**(561)**	(619)
Debt securities issued	**(16,085)**	(13,932)
Deposits from customers		
– Corporate deposits	**(68,763)**	(61,160)
– Personal deposits	**(82,144)**	(74,608)
Total	**(204,029)**	(182,010)
Net interest income	**266,493**	250,436

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

	Six months ended 30 June	
	2020	2019
Impaired loans and advances	**1,639**	1,438
Other impaired financial assets	**71**	120
Total	**1,710**	1,558

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

(Expressed in millions of RMB, unless otherwise stated)

4 Net fee and commission income

	Six months ended 30 June	
	2020	2019
Fee and commission income		
Bank card fees	**26,532**	26,184
Electronic banking service fees	**14,308**	12,263
Agency service fees	**10,053**	10,863
Commission on trust and fiduciary activities	**9,491**	8,617
Consultancy and advisory fees	**7,989**	6,584
Settlement and clearing fees	**7,574**	6,998
Wealth management service fees	**7,376**	7,450
Guarantee fees	**1,952**	1,818
Credit commitment fees	**755**	883
Others	**2,725**	2,507
Total	**88,755**	84,167
Fee and commission expense		
Bank card transaction fees	**(3,238)**	(3,477)
Inter-bank transaction fees	**(458)**	(559)
Others	**(5,038)**	(3,436)
Total	**(8,734)**	(7,472)
Net fee and commission income	**80,021**	76,695

5 Net trading gain

	Six months ended 30 June	
	2020	2019
Debt securities	**2,840**	4,035
Derivatives	**330**	45
Equity investments	**(22)**	497
Others	**165**	281
Total	**3,313**	4,858

6 Dividend income

	Six months ended 30 June	
	2020	2019
Dividend income from equity investments measured at fair value through profit or loss	**1,491**	406
Dividend income from equity investments measured at fair value through other comprehensive income	**5**	8
Total	**1,496**	414

(Expressed in millions of RMB, unless otherwise stated)

7 Net gain arising from investment securities

	Six months ended 30 June	
	2020	2019
Net gain related to financial assets designated as measured at fair value through profit or loss	**3,269**	5,431
Net loss related to financial liabilities designated as measured at fair value through profit or loss	**(4,298)**	(5,406)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	**4,178**	5,649
Net gain related to financial assets measured at fair value through other comprehensive income	**257**	660
Net revaluation gain reclassified from other comprehensive income on disposal	**503**	124
Others	**75**	83
Total	**3,984**	6,541

8 Net gain on derecognition of financial assets measured at amortised cost

For the six months ended 30 June 2020, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to net gains of RMB1,281 million arising from the derecognition of loans and advances to customers (for the six months ended 30 June 2019: net gains of RMB1,340 million).

9 Other operating income, net

	Six months ended 30 June	
Other operating income	**2020**	2019
Insurance related income	**24,223**	14,013
Foreign exchange gains	**1,965**	2,836
Rental income	**1,615**	1,344
Others	**4,976**	3,312
Total	**32,779**	21,505

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

	Six months ended 30 June	
Other operating expense	**2020**	2019
Insurance related costs	**24,272**	13,317
Others	**5,271**	4,180
Total	**29,543**	17,497

(Expressed in millions of RMB, unless otherwise stated)

10 Operating expenses

	Six months ended 30 June	
	2020	2019
Staff costs		
– Salaries, bonuses, allowances and subsidies	**33,102**	31,448
– Housing funds	**3,136**	3,024
– Union running costs and employee education costs	**1,246**	1,163
– Defined contribution plans	**4,329**	6,299
– Early retirement expenses	**9**	10
– Compensation to employees for termination of employment relationship	**–**	2
– Others	**3,435**	4,446
	45,257	46,392
Premises and equipment expenses		
– Depreciation charges	**11,716**	10,114
– Rent and property management expenses	**1,929**	2,250
– Maintenance	**917**	1,181
– Utilities	**715**	826
– Others	**937**	916
	16,214	15,287
Taxes and surcharges	**3,336**	3,031
Amortisation expenses	**1,354**	1,220
Other general and administrative expenses	**13,644**	12,619
Total	**79,805**	78,549

11 Credit impairment losses

	Six months ended 30 June	
	2020	2019
Loans and advances to customers	**105,534**	69,787
Financial investments		
Financial assets measured at amortised cost	**2,688**	1,311
Financial assets measured at fair value through other comprehensive income	**141**	1,661
Off-balance sheet business	**1,213**	1,317
Others	**1,802**	562
Total	**111,378**	74,638

12 Other impairment losses

	Six months ended 30 June	
	2020	2019
Other impairment losses	**188**	148

13 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2020	2019
Current tax	**42,634**	40,887
– Mainland China	**41,290**	39,621
– Hong Kong	**630**	721
– Other countries and regions	**714**	545
Adjustments for prior years	**473**	33
Deferred tax	**(13,273)**	(5,448)
Total	**29,834**	35,472

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

(2) Reconciliation between income tax expense and accounting profit

		Six months ended 30 June	
	Note	**2020**	2019
Profit before tax		**168,773**	191,180
Income tax calculated at the 25% statutory tax rate		**42,193**	47,795
Effects of different applicable rates of tax prevailing in other countries/regions		**(303)**	(380)
Non-deductible expenses	(i)	**6,984**	4,972
Non-taxable income	(ii)	**(19,513)**	(16,948)
Adjustments on income tax for prior years which affect profit or loss		**473**	33
Income tax expense		**29,834**	35,472

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

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

14 Earnings per share

Basic earnings per share for the six months ended 30 June 2020 and 2019 has been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the periods.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank. The Bank has not declared any dividend on preference shares for the six months ended 30 June 2020.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2020 and 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2020	2019
Net profit attributable to equity shareholders of the Bank	**137,626**	154,190
Net profit attributable to ordinary shareholders of the Bank	**137,626**	154,190
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.55**	0.62
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.55**	0.62

(Expressed in millions of RMB, unless otherwise stated)

15 Cash and deposits with central banks

	Note	30 June 2020	31 December 2019
Cash		**61,051**	60,791
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,098,432**	2,094,800
– Surplus deposit reserves	(2)	**246,721**	398,676
– Fiscal deposits and others		**58,225**	65,825
Accrued interest		**960**	918
Total		**2,465,389**	2,621,010

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

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

	30 June 2020	31 December 2019
Reserve rate for RMB deposits	**11.00%**	11.50%
Reserve rate for foreign currency deposits	**5.00%**	5.00%

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

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

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

16 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2020	31 December 2019
Banks	**814,598**	406,202
Non-bank financial institutions	**15,515**	12,605
Accrued interest	**5,258**	1,072
Gross balances	**835,371**	419,879
Allowances for impairment losses (Note 30)	**(594)**	(218)
Net balances	**834,777**	419,661

(2) Analysed by geographical sectors

	30 June 2020	31 December 2019
Mainland China	**789,355**	371,963
Overseas	**40,758**	46,844
Accrued interest	**5,258**	1,072
Gross balances	**835,371**	419,879
Allowances for impairment losses (Note 30)	**(594)**	(218)
Net balances	**834,777**	419,661

For the six months ended 30 June 2020 and for the year ended 31 December 2019, the book value of deposits with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

(Expressed in millions of RMB, unless otherwise stated)

17 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2020	31 December 2019
Banks	**320,391**	387,211
Non-bank financial institutions	**186,785**	141,822
Accrued interest	**2,745**	2,338
Gross balances	**509,921**	531,371
Allowances for impairment losses (Note 30)	**(340)**	(225)
Net balances	**509,581**	531,146

(2) Analysed by geographical sectors

	30 June 2020	31 December 2019
Mainland China	**332,053**	339,185
Overseas	**175,123**	189,848
Accrued interest	**2,745**	2,338
Gross balances	**509,921**	531,371
Allowances for impairment losses (Note 30)	**(340)**	(225)
Net balances	**509,581**	531,146

For the six months ended 30 June 2020 and for the year ended 31 December 2019, the book value of placements with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

18 Derivatives and hedge accounting

(1) Analysed by type of contract

		30 June 2020			31 December 2019		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		**706,379**	**2,368**	**5,824**	535,745	1,187	2,088
Exchange rate contracts		**3,831,677**	**19,875**	**24,020**	3,727,006	31,681	29,726
Other contracts	(a)	**144,142**	**2,914**	**8,892**	85,784	1,773	1,968
Total		**4,682,198**	**25,157**	**38,736**	4,348,535	34,641	33,782

(Expressed in millions of RMB, unless otherwise stated)

18 Derivatives and hedge accounting (continued)

(2) Analysed by counterparty credit risk-weighted assets

	Note	30 June 2020	31 December 2019
Counterparty credit default risk-weighted assets			
– Interest rate contracts		5,580	2,670
– Exchange rate contracts		40,460	37,124
– Other contracts	(a)	6,609	1,500
Subtotal		52,649	41,294
Risk-weighted assets for credit valuation adjustment		15,228	14,194
Total		67,877	55,488

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets included risk-weighted assets for credit valuation adjustments, with the considerations of the status of counterparty and maturity characteristics, and included back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivatives Counterparty Default Risk Assets since 1 January 2019.

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

(3) Hedge accounting

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

	30 June 2020			31 December 2019		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	40,200	68	(1,416)	39,801	83	(344)
Cross currency swaps	539	–	(9)	35	–	–
Cash flow hedges						
Foreign exchange swaps	20,093	103	(227)	39,146	640	(193)
Cross currency swaps	707	–	(9)	–	–	–
Interest rate swaps	–	–	–	13,608	25	(78)
Total	61,539	171	(1,661)	92,590	748	(615)

(a) *Fair value hedges*

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

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

	Six months ended 30 June	
	2020	2019
Net (losses)/gains on		
– hedging instruments	(1,099)	(630)
– hedged items	1,124	645

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the six months ended 30 June 2020 and 2019.

(Expressed in millions of RMB, unless otherwise stated)

18 Derivatives and hedge accounting (continued)

(3) Hedge accounting (continued)

(b) Cash flow hedges

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The maturities of hedging instruments and hedged items were both within five years.

For the six months ended 30 June 2020, the Group's net gain from cash flow hedges of RMB115 million was recognised in other comprehensive income (for the six months ended 30 June 2019: net loss from cash flow hedges of RMB174 million) and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

19 Financial assets held under resale agreements

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

	30 June 2020	31 December 2019
Debt securities		
– Government bonds	**96,434**	189,501
– Debt securities issued by policy banks, banks and non-bank financial institutions	**226,787**	299,738
– Corporate bonds	**1,646**	25
Subtotal	**324,867**	489,264
Discounted bills	**127,386**	68,345
Accrued interest	**146**	263
Total	**452,399**	557,872
Allowances for impairment losses (Note 30)	**(141)**	(63)
Net balances	**452,258**	557,809

For the six months ended 30 June 2020 and for the year ended 31 December 2019, the book value of financial assets held under resale agreements was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

20 Loans and advances to customers

(1) Analysed by measurement

	Note	**30 June 2020**	31 December 2019
Loans and advances to customers measured at amortised cost		**16,004,076**	14,479,931
Less: allowances for impairment losses		**(546,361)**	(482,158)
The carrying amount of loans and advances to customers measured at amortised cost	(a)	**15,457,715**	13,997,773
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	(b)	**413,419**	492,693
The carrying amount of loans and advances to customers measured at fair value through profit or loss	(c)	**12,965**	15,282
Accrued interest		**43,686**	34,919
The carrying amount of loans and advances to customers		**15,927,785**	14,540,667

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(1) Analysed by measurement (continued)

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

	30 June 2020	31 December 2019
Corporate loans and advances		
– Loans	8,917,075	7,789,682
– Finance leases	142,849	137,769
	9,059,924	7,927,451
Personal loans and advances		
– Residential mortgages	5,645,230	5,355,724
– Personal consumer loans	264,772	199,007
– Personal business loans	58,760	44,918
– Credit cards	777,982	745,137
– Others	197,408	207,694
	6,944,152	6,552,480
Gross loans and advances to customers measured at amortised cost	16,004,076	14,479,931
Stage 1	(284,457)	(240,027)
Stage 2	(106,639)	(92,880)
Stage 3	(155,265)	(149,251)
Allowances for impairment losses (Note 30)	(546,361)	(482,158)
Net loans and advances to customers measured at amortised cost	15,457,715	13,997,773

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

	30 June 2020	31 December 2019
Discounted bills	413,419	492,693

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

	30 June 2020	31 December 2019
Corporate loans and advances	12,965	15,282

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(2) Analysed by assessment method of expected credit losses

	30 June 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**15,241,407**	**517,817**	**244,852**	**16,004,076**
Less: allowances for impairment losses	**(284,457)**	**(106,639)**	**(155,265)**	**(546,361)**
The carrying amount of loans and advances to customers measured at amortised cost	**14,956,950**	**411,178**	**89,587**	**15,457,715**
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**406,399**	**6,356**	**664**	**413,419**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(1,348)**	**(424)**	**(528)**	**(2,300)**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	13,804,206	463,976	211,749	14,479,931
Less: allowances for impairment losses	(240,027)	(92,880)	(149,251)	(482,158)
The carrying amount of loans and advances to customers measured at amortised cost	13,564,179	371,096	62,498	13,997,773
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	490,545	1,424	724	492,693
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(958)	(94)	(570)	(1,622)

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

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

(3) Movements of allowances for impairment losses

		Six months ended 30 June 2020			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020		**240,027**	**92,880**	**149,251**	**482,158**
Transfers:					
Transfers in/(out) to Stage 1		**1,892**	**(1,696)**	**(196)**	**–**
Transfers in/(out) to Stage 2		**(7,893)**	**8,698**	**(805)**	**–**
Transfers in/(out) to Stage 3		**(1,130)**	**(17,540)**	**18,670**	**–**
Newly originated or purchased financial assets		**92,520**	**–**	**–**	**92,520**
Transfer out/repayment	(i)	**(52,039)**	**(5,106)**	**(25,021)**	**(82,166)**
Remeasurements	(ii)	**11,080**	**29,403**	**35,703**	**76,186**
Write-off		**–**	**–**	**(26,876)**	**(26,876)**
Recoveries of loans and advances written off		**–**	**–**	**4,539**	**4,539**
As at 30 June 2020		**284,457**	**106,639**	**155,265**	**546,361**

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

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

	Note	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
As at 1 January 2019		183,615	93,624	140,384	417,623
Transfers:					
Transfers in/(out) to Stage 1		6,416	(6,061)	(355)	–
Transfers in/(out) to Stage 2		(7,197)	8,537	(1,340)	–
Transfers in/(out) to Stage 3		(2,163)	(18,815)	20,978	–
Newly originated or purchased financial assets		116,460	–	–	116,460
Transfer out/repayment	(i)	(76,030)	(12,040)	(50,416)	(138,486)
Remeasurements	(ii)	18,926	27,635	81,082	127,643
Write-off		–	–	(49,078)	(49,078)
Recoveries of loans and advances written off		–	–	7,996	7,996
As at 31 December 2019		240,027	92,880	149,251	482,158

(i) Transfer out/repayment refers to packaged disposal, securitisation of assets, debt-to-equity swap and as a result of foreclosures, as well as repayment of the loans.

(ii) Remeasurements comprise the impact of changes in Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"); changes in model assumptions and methodology; credit loss changes due to stage-transfer; unwinding of discount; and the impact of exchange rate changes.

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

(4) Overdue loans analysed by overdue period

	30 June 2020				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**12,240**	**14,678**	**5,491**	**817**	**33,226**
Guaranteed loans	**12,456**	**20,352**	**24,555**	**5,197**	**62,560**
Loans secured by property and other immovable assets	**31,422**	**21,115**	**23,044**	**5,208**	**80,789**
Other pledged loans	**2,222**	**2,618**	**4,907**	**270**	**10,017**
Total	**58,340**	**58,763**	**57,997**	**11,492**	**186,592**
As a percentage of gross loans and advances to customers	**0.36%**	**0.36%**	**0.35%**	**0.07%**	**1.14%**

	31 December 2019				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	17,134	14,363	4,829	757	37,083
Guaranteed loans	8,490	24,773	17,813	5,593	56,669
Loans secured by property and other immovable assets	20,387	25,982	17,080	5,507	68,956
Other pledged loans	2,556	4,304	3,121	194	10,175
Total	48,567	69,422	42,843	12,051	172,883
As a percentage of gross loans and advances to customers	0.32%	0.46%	0.29%	0.08%	1.15%

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

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(5) Packaged disposal of non-performing loans

For the six months ended 30 June 2020, the total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB10,624 million (for the six months ended 30 June 2019: RMB9,608 million).

(6) Write-off

According to the Group's write-off policy, it is required to continue to recover the bad debts that are written off. For the six months ended 30 June 2020, the amount of the litigation-related loans and advances to customers that the Group has written off but still under enforcement was RMB13,793 million (for the six month ended 30 June 2019: RMB9,032 million).

21 Financial investments

(1) Analysed by measurement

	Note	**30 June 2020**	31 December 2019
Financial assets measured at fair value through profit or loss	(a)	**681,550**	675,361
Financial assets measured at amortised cost	(b)	**4,145,782**	3,740,296
Financial assets measured at fair value through other comprehensive income	(c)	**1,911,069**	1,797,584
Total		**6,738,401**	6,213,241

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

Analysed by nature

	Note	**30 June 2020**	31 December 2019
Held-for-trading purposes			
– Debt securities	(i)	**198,133**	229,946
– Equity instruments and funds	(ii)	**768**	940
		198,901	230,886
Financial assets designated as measured at fair value through profit or loss			
– Debt securities	(iii)	**8,236**	9,256
– Other debt instruments	(iv)	**195,362**	182,369
		203,598	191,625
Others			
– Credit investments	(v)	**3,882**	6,161
– Debt securities	(vi)	**81,466**	68,921
– Funds and others	(vii)	**193,703**	177,768
		279,051	252,850
Total		**681,550**	675,361

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

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

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	30 June 2020	31 December 2019
Government	**21,026**	8,392
Central banks	**–**	443
Policy banks	**52,660**	44,466
Banks and non-bank financial institutions	**28,341**	59,224
Enterprises	**96,106**	117,421
Total	**198,133**	229,946
Listed (Note)	**198,133**	229,503
of which in Hong Kong	**995**	953
Unlisted	**–**	443
Total	**198,133**	229,946

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

(ii) Equity instruments and funds

	30 June 2020	31 December 2019
Banks and non-bank financial institutions	**33**	61
Enterprises	**735**	879
Total	**768**	940
Listed	**768**	940
of which in Hong Kong	**566**	772
Total	**768**	940

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

(iii) Debt securities

	30 June 2020	31 December 2019
Government	**–**	470
Banks and non-bank financial institutions	**255**	–
Enterprises	**7,981**	8,786
Total	**8,236**	9,256
Listed	**537**	1,111
of which in Hong Kong	**18**	355
Unlisted	**7,699**	8,145
Total	**8,236**	9,256

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

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

Analysed by type of issuers (continued)

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

(iv) Other debt instruments

	30 June 2020	31 December 2019
Banks and non-bank financial institutions	**131,884**	122,285
Enterprises	**63,478**	60,084
Total	**195,362**	182,369

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

The amounts of changes in the fair value of these financial assets that are attributable to changes in credit risk are considered not significant during the period and the year presented and cumulatively as at 30 June 2020 and 31 December 2019.

Others

(v) Credit investments

	30 June 2020	31 December 2019
Banks and non-bank financial institutions	**–**	1,706
Enterprises	**3,882**	4,455
Total	**3,882**	6,161
Unlisted	**3,882**	6,161
Total	**3,882**	6,161

(vi) Debt securities

	30 June 2020	31 December 2019
Policy banks	**4,495**	4,381
Banks and non-bank financial institutions	**76,970**	64,538
Enterprises	**1**	2
Total	**81,466**	68,921
Listed (Note)	**81,389**	68,801
Unlisted	**77**	120
Total	**81,466**	68,921

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

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

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

Analysed by type of issuers (continued)

Others (continued)

(vii) Funds and others

	30 June 2020	31 December 2019
Banks and non-bank financial institutions	94,275	83,946
Enterprises	99,428	93,822
Total	193,703	177,768
Listed	75,540	67,357
of which in Hong Kong	1,590	1,957
Unlisted	118,163	110,411
Total	193,703	177,768

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

(b) *Financial assets measured at amortised cost*

Analysed by type of issuers

	30 June 2020	31 December 2019
Government	3,442,279	3,024,534
Central banks	912	463
Policy banks	329,012	361,084
Banks and non-bank financial institutions	116,014	107,407
Enterprises	169,145	157,683
Special government bond	49,200	49,200
Subtotal	4,106,562	3,700,371
Accrued interest	54,688	52,627
Gross balances	4,161,250	3,752,998
Allowances for impairment losses		
– Stage 1	(10,804)	(8,932)
– Stage 2	(479)	(134)
– Stage 3	(4,185)	(3,636)
Subtotal	(15,468)	(12,702)
Net balances	4,145,782	3,740,296
Listed (Note)	3,988,744	3,553,837
of which in Hong Kong	6,549	7,836
Unlisted	157,038	186,459
Total	4,145,782	3,740,296
Market value of listed bonds	4,086,386	3,629,398

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

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

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

Analysed by nature

	Note	**30 June 2020**	31 December 2019
Debt securities	(i)	**1,904,588**	1,791,553
Equity instruments	(ii)	**6,481**	6,031
Total		**1,911,069**	1,797,584

Analysed by type of issuers

(i) *Debt securities*

	30 June 2020	31 December 2019
Government	**1,164,126**	1,103,764
Central banks	**26,537**	39,844
Policy banks	**390,075**	346,478
Banks and non-bank financial institutions	**112,273**	107,524
Enterprises	**140,488**	135,769
Accumulated changes of fair value charged in other comprehensive income	**42,883**	33,000
Subtotal	**1,876,382**	1,766,379
Accrued interest	**28,206**	25,174
Carrying value	**1,904,588**	1,791,553
Listed (Note)	**1,831,890**	1,741,972
of which in Hong Kong	**61,496**	56,100
Unlisted	**72,698**	49,581
Total	**1,904,588**	1,791,553

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

(ii) *Equity instruments*

	30 June 2020		31 December 2019	
	Fair value	**Dividend income**	Fair value	Dividend income
Equity instruments	**6,481**	**5**	6,031	36

For the six months ended 30 June 2020 and for the year ended 31 December 2019, the Group neither sold any of the investments above nor transferred any cumulative profit or loss in the equity.

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

	Note	Six months ended 30 June 2020 Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		**8,932**	**134**	**3,636**	**12,702**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(37)**	**37**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**(7)**	**7**	**–**
Newly originated or purchased financial assets		**1,708**	**–**	**–**	**1,708**
Financial assets derecognised during the period		**(622)**	**(27)**	**(31)**	**(680)**
Remeasurements	(i)	**784**	**340**	**536**	**1,660**
Foreign exchange and other movements		**39**	**2**	**37**	**78**
As at 30 June 2020		**10,804**	**479**	**4,185**	**15,468**

	Note	2019 Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		5,171	509	1,155	6,835
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(15)	15	–	–
Transfers in/(out) to Stage 3		(7)	(407)	414	–
Newly originated or purchased financial assets		5,299	3	–	5,302
Financial assets derecognised during the year		(1,440)	(20)	–	(1,460)
Remeasurements	(i)	(125)	20	2,052	1,947
Foreign exchange and other movements		49	14	15	78
As at 31 December 2019		8,932	134	3,636	12,702

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

	Note	Six months ended 30 June 2020 Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		**3,580**	**–**	**–**	**3,580**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(22)**	**22**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**–**	**–**	**–**
Newly originated or purchased financial assets		**838**	**–**	**–**	**838**
Financial assets derecognised during the period		**(904)**	**–**	**–**	**(904)**
Remeasurements	(i)	**199**	**8**	**–**	**207**
Foreign exchange and other movements		**(14)**	**1**	**–**	**(13)**
As at 30 June 2020		**3,677**	**31**	**–**	**3,708**

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(2) Movements of allowances for impairment losses (continued)

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

	Note	2019			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		2,090	–	–	2,090
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		2,117	–	–	2,117
Financial assets derecognised during the year		(562)	–	–	(562)
Remeasurements	(i)	(58)	–	–	(58)
Foreign exchange and other movements		(7)	–	–	(7)
As at 31 December 2019		3,580	–	–	3,580

(i) Remeasurements mainly comprise the impact of changes in PD, LGD, EAD, and credit loss changes due to stage-transfer.

As at 30 June 2020, the Group's financial investments measured at amortised cost with a carrying amount of RMB8,140 million were impaired and classified as Stage 3, financial investments measured at amortised cost with a carrying amount of RMB2,702 million and financial investments measured at fair value through other comprehensive income with a carrying amount of RMB2,135 million were classified as Stage 2, and the remaining financial investments measured at amortised cost and financial investments measured at fair value through other comprehensive income were classified as Stage 1.

For the six months ended 30 June 2020, the increase in the Group's Stage 1 financial investments due to newly originated or purchased financial assets amounted to RMB940,503 million, the decrease in Stage 1 financial investments due to derecognition amounted to RMB434,338 million, and there were no significant changes in the balances of financial investments classified as Stages 2 and 3. Both the amounts of financial investments transferred between stages and the amounts of financial investments with modifications of contractual cash flows that do not result in a derecognition were not significant.

(Expressed in millions of RMB, unless otherwise stated)

22 Long-term equity investments

(1) Investments in subsidiaries

(a) Investment cost

	Note	**30 June 2020**	31 December 2019
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")		**15,000**	15,000
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		**12,000**	12,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")	(i)	**11,163**	8,163
CCB Brasil Financial Holding – Investimentos e Participações Ltda.		**9,542**	9,542
CCB Trust Co., Ltd. ("CCB Trust")		**7,429**	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")		**3,902**	3,902
China Construction Bank (London) Limited ("CCB London")		**2,861**	2,861
CCB Pension Management Co., Ltd. ("CCB Pension")		**1,955**	1,955
China Construction Bank (Europe) S.A. ("CCB Europe")		**1,629**	1,629
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		**1,502**	1,502
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		**1,340**	1,340
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Total		**72,290**	69,290

(i) In April 2020, the Bank increased capital of CCB Financial Leasing by RMB3.00 billion with its own funds. CCB Financial Leasing has remained a wholly-owned subsidiary of the Bank.

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

Name of company	Principal place of business/ Place of registration	Particulars of issued/ paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Investment	Beijing, the PRC	RMB12,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB Brasil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brasil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Life	Shanghai, the PRC	RMB4,496 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Trust	Anhui, the PRC	RMB2,467 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	85%	–	85%	Establishment
CCB Europe	Luxembourg	EUR200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment

(Expressed in millions of RMB, unless otherwise stated)

22 Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

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

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

(c) As at 30 June 2020, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(Expressed in millions of RMB, unless otherwise stated)

22 Long-term equity investments (continued)

(2) Interests in associates and joint ventures

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

	Six months ended 30 June 2020	2019
As at 1 January	**11,353**	8,002
Increase in capital during the period/year	**2,580**	4,978
Decrease in capital during the period/year	**(2,316)**	(1,812)
Share of profits	**220**	249
Cash dividend receivable	**(167)**	(149)
Effect of exchange difference and others	**174**	85
As at 30 June/31 December	**11,844**	11,353

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

Name of Company	Principal place of business/ Place of registration	Particulars of issued/ paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
Guoxin Jianxin Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB4,126 million	Equity investment	50.00%	50.00%	4,279	–	199	165
CCB Gold Investment Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	3,669	–	106	106
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,705	1,659	122	46
Shananxi Yanchang Petroleum Finance Limited	Xi'an, the PRC	RMB3,500 million	Settlement, loans and financial leasing	8.00%	20.00%	28,560	23,561	332	237
Maotai CCBT Private Equity Fund (Limited Partnership)	Guiyang, the PRC	RMB900 million	Investment management and consultancy	38.11%	40.00%	1,220	–	3	(3)

(Expressed in millions of RMB, unless otherwise stated)

23 Structured entities

(1) Unconsolidated structured entities

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

As at 30 June 2020 and 31 December 2019, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount presented in the line items in the consolidated statement of financial position and the maximum exposure were as follows:

	30 June 2020	31 December 2019
Financial investments		
Financial assets measured at fair value through profit or loss	**95,551**	85,564
Financial assets measured at amortised cost	**66,662**	65,178
Financial assets measured at fair value through other comprehensive income	**725**	729
Long-term equity investments	**7,395**	6,906
Other assets	**3,768**	3,185
Total	**174,101**	161,562

For the six months ended 30 June 2020 and 2019, the income from these unconsolidated structured entities held by the Group presented in the line items in the consolidated statement of comprehensive income was as follows:

	Six months ended 30 June	
	2020	2019
Interest income	**1,741**	1,761
Fee and commission income	**8,285**	8,084
Net trading gain/(loss)	**204**	(134)
Dividend income	**355**	1,084
Net gain arising from investment securities	**1,869**	1,349
Share of profits of associates and joint ventures	**159**	63
Total	**12,613**	12,207

As at 30 June 2020, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,828,360 million (as at 31 December 2019: RMB1,968,483 million) and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB2,904,965 million (as at 31 December 2019: RMB2,989,536 million). For the six months ended 30 June 2020, there were financial assets held under resale agreements between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions was not material to the Group.

(2) Consolidated structured entities

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

(Expressed in millions of RMB, unless otherwise stated)

24 Fixed assets

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2020	**137,641**	**16,726**	**57,893**	**30,810**	**48,141**	**291,211**
Additions	**48**	**739**	**725**	**3,392**	**419**	**5,323**
Transfer in/(out)	**410**	**(1,409)**	**39**	**–**	**960**	**–**
Other movements	**(101)**	**(219)**	**(5,322)**	**437**	**(2,722)**	**(7,927)**
As at 30 June 2020	**137,998**	**15,837**	**53,335**	**34,639**	**46,798**	**288,607**
Accumulated depreciation						
As at 1 January 2020	**(43,405)**	**–**	**(40,035)**	**(4,525)**	**(32,085)**	**(120,050)**
Charge for the period	**(2,313)**	**–**	**(3,575)**	**(807)**	**(2,182)**	**(8,877)**
Other movements	**56**	**–**	**5,097**	**(65)**	**2,667**	**7,755**
As at 30 June 2020	**(45,662)**	**–**	**(38,513)**	**(5,397)**	**(31,600)**	**(121,172)**
Allowances for impairment losses (Note 30)						
As at 1 January 2020	**(393)**	**(1)**	**–**	**(24)**	**(3)**	**(421)**
Charge for the period	**–**	**–**	**–**	**–**	**–**	**–**
Other movements	**–**	**–**	**–**	**–**	**–**	**–**
As at 30 June 2020	**(393)**	**(1)**	**–**	**(24)**	**(3)**	**(421)**
Net carrying value						
As at 1 January 2020	**93,843**	**16,725**	**17,858**	**26,261**	**16,053**	**170,740**
As at 30 June 2020	**91,943**	**15,836**	**14,822**	**29,218**	**15,195**	**167,014**

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2019	133,478	19,714	55,118	25,561	45,851	279,722
Additions	1,850	7,425	5,882	914	3,262	19,333
Transfer in/(out)	2,599	(8,938)	42	4,617	1,680	–
Other movements	(286)	(1,475)	(3,149)	(282)	(2,652)	(7,844)
As at 31 December 2019	137,641	16,726	57,893	30,810	48,141	291,211
Accumulated depreciation						
As at 1 January 2019	(38,948)	–	(37,362)	(3,408)	(30,006)	(109,724)
Charge for the year	(4,563)	–	(5,670)	(1,337)	(4,454)	(16,024)
Other movements	106	–	2,997	220	2,375	5,698
As at 31 December 2019	(43,405)	–	(40,035)	(4,525)	(32,085)	(120,050)
Allowances for impairment losses (Note 30)						
As at 1 January 2019	(406)	(1)	–	(14)	(3)	(424)
Charge for the year	–	–	–	(24)	(1)	(25)
Other movements	13	–	–	14	1	28
As at 31 December 2019	(393)	(1)	–	(24)	(3)	(421)
Net carrying value						
As at 1 January 2019	94,124	19,713	17,756	22,139	15,842	169,574
As at 31 December 2019	93,843	16,725	17,858	26,261	16,053	170,740

Notes:

(1) Other movements include disposals, retirements and exchange differences of fixed assets.

(2) As at 30 June 2020, the ownership documentation for the Group's bank premises with a net carrying value of RMB13,887 million (as at 31 December 2019: RMB15,688 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(Expressed in millions of RMB, unless otherwise stated)

25 Land use rights

	Six months ended 30 June 2020	2019
Cost/Deemed cost		
As at 1 January	**22,793**	21,860
Additions	**1**	989
Disposals	**(13)**	(56)
As at 30 June/31 December	**22,781**	22,793
Amortisation		
As at 1 January	**(7,919)**	(7,349)
Charge for the period/year	**(263)**	(594)
Disposals	**9**	24
As at 30 June/31 December	**(8,173)**	(7,919)
Allowances for impairment losses (Note 30)		
As at 1 January	**(136)**	(138)
Disposals	**–**	2
As at 30 June/31 December	**(136)**	(136)
Net carrying value		
As at 1 January	**14,738**	14,373
As at 30 June/31 December	**14,472**	14,738

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

26 Intangible assets

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2020	**11,698**	**1,423**	**13,121**
Additions	**552**	**78**	**630**
Disposals	**(169)**	**(190)**	**(359)**
As at 30 June 2020	**12,081**	**1,311**	**13,392**
Amortisation			
As at 1 January 2020	**(8,071)**	**(541)**	**(8,612)**
Charge for the period	**(564)**	**(61)**	**(625)**
Disposals	**126**	**99**	**225**
As at 30 June 2020	**(8,509)**	**(503)**	**(9,012)**
Allowances for impairment losses (Note 30)			
As at 1 January 2020	**–**	**(7)**	**(7)**
Additions	**–**	**–**	**–**
Disposals	**–**	**–**	**–**
As at 30 June 2020	**–**	**(7)**	**(7)**
Net carrying value			
As at 1 January 2020	**3,627**	**875**	**4,502**
As at 30 June 2020	**3,572**	**801**	**4,373**

(Expressed in millions of RMB, unless otherwise stated)

26 Intangible assets (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2019	9,914	1,272	11,186
Additions	1,829	317	2,146
Disposals	(45)	(166)	(211)
As at 31 December 2019	11,698	1,423	13,121
Amortisation			
As at 1 January 2019	(7,154)	(402)	(7,556)
Charge for the year	(943)	(146)	(1,089)
Disposals	26	7	33
As at 31 December 2019	(8,071)	(541)	(8,612)
Allowances for impairment losses (Note 30)			
As at 1 January 2019	–	(8)	(8)
Additions	–	(1)	(1)
Disposals	–	2	2
As at 31 December 2019	–	(7)	(7)
Net carrying value			
As at 1 January 2019	2,760	862	3,622
As at 31 December 2019	3,627	875	4,502

27 Goodwill

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

	Six months ended 30 June 2020	2019
As at 1 January	**2,809**	2,766
Effect of exchange difference	**(80)**	43
As at 30 June/31 December	**2,729**	2,809

(2) Impairment test for cash-generating unit ("CGU") containing goodwill

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

No impairment losses on goodwill of the Group were recognised as at 30 June 2020 (as at 31 December 2019: nil).

(Expressed in millions of RMB, unless otherwise stated)

28 Deferred tax

	30 June 2020	31 December 2019
Deferred tax assets	83,400	72,314
Deferred tax liabilities	(549)	(457)
Total	82,851	71,857

(1) Analysed by nature

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(37,868)	(9,605)	(35,948)	(9,167)
– Allowances for impairment losses	394,005	98,057	331,279	82,330
– Employee benefits	13,254	3,283	17,513	4,348
– Others	(35,000)	(8,335)	(21,871)	(5,197)
Total	334,391	83,400	290,973	72,314
Deferred tax liabilities				
– Fair value adjustments	(1,572)	(381)	(1,717)	(336)
– Others	(1,066)	(168)	(885)	(121)
Total	(2,638)	(549)	(2,602)	(457)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2020	(9,503)	82,330	4,348	(5,318)	71,857
Recognised in profit or loss	1,796	15,727	(1,065)	(3,185)	13,273
Recognised in other comprehensive income	(2,279)	–	–	–	(2,279)
As at 30 June 2020	(9,986)	98,057	3,283	(8,503)	82,851
As at 1 January 2019	(6,657)	64,823	5,276	(5,197)	58,245
Recognised in profit or loss	678	17,507	(928)	(121)	17,136
Recognised in other comprehensive income	(3,524)	–	–	–	(3,524)
As at 31 December 2019	(9,503)	82,330	4,348	(5,318)	71,857

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

(Expressed in millions of RMB, unless otherwise stated)

29 Other assets

	Note	**30 June 2020**	31 December 2019
Repossessed assets	(1)		
– Buildings		**1,563**	1,705
– Land use rights		**125**	156
– Others		**504**	719
		2,192	2,580
Clearing and settlement accounts		**72,156**	26,889
Right-of-use assets	(2)	**24,678**	24,460
Fee and commission receivables		**24,015**	19,963
Policyholder account assets and accounts receivable of insurance business		**16,287**	7,581
Leasehold improvements		**2,769**	2,992
Deferred expenses		**1,455**	1,336
Others		**139,107**	114,453
Gross balance		**282,659**	200,254
Allowances for impairment losses (Note 30)			
– Repossessed assets		**(1,152)**	(1,353)
– Others		**(3,881)**	(3,440)
Net balance		**277,626**	195,461

(1) For the six months ended 30 June 2020, the original cost of repossessed assets disposed of by the Group amounted to RMB428 million (for the six months ended 30 June 2019: RMB210 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Right-of-use assets

	Bank premises	**Others**	**Total**
Cost			
As at 1 January 2020	**30,610**	**104**	**30,714**
Additions	**4,358**	**10**	**4,368**
Other movements	**(826)**	**(32)**	**(858)**
As at 30 June 2020	**34,142**	**82**	**34,224**
Accumulated depreciation			
As at 1 January 2020	**(6,221)**	**(33)**	**(6,254)**
Charge for the period	**(3,640)**	**(15)**	**(3,655)**
Other movements	**346**	**17**	**363**
As at 30 June 2020	**(9,515)**	**(31)**	**(9,546)**
Net carrying value			
As at 1 January 2020	**24,389**	**71**	**24,460**
As at 30 June 2020	**24,627**	**51**	**24,678**

	Bank premises	Others	Total
Cost			
As at 1 January 2019	21,686	66	21,752
Additions	10,598	44	10,642
Other movements	(1,674)	(6)	(1,680)
As at 31 December 2019	30,610	104	30,714
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charge for the period	(6,584)	(33)	(6,617)
Other movements	363	–	363
As at 31 December 2019	(6,221)	(33)	(6,254)
Net carrying value			
As at 1 January 2019	21,686	66	21,752
As at 31 December 2019	24,389	71	24,460

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

(Expressed in millions of RMB, unless otherwise stated)

30 Movements of allowances for impairment losses

	Note	Six months ended 30 June 2020				
		As at 1 January	**Charge/ (reversal) for the period**	**Transfer in/(out)**	**Write-off**	**As at 30 June**
Deposits with banks and non-bank financial institutions	16	**218**	**376**	**–**	**–**	**594**
Precious metals		**38**	**(12)**	**–**	**–**	**26**
Placements with banks and non-bank financial institutions	17	**225**	**114**	**1**	**–**	**340**
Financial assets held under resale agreements	19	**63**	**78**	**–**	**–**	**141**
Loans and advances to customers	20	**482,158**	**104,856**	**(13,777)**	**(26,876)**	**546,361**
Financial assets measured at amortised cost	21(2)(a)	**12,702**	**2,688**	**78**	**–**	**15,468**
Fixed assets	24	**421**	**–**	**–**	**–**	**421**
Land use rights	25	**136**	**–**	**–**	**–**	**136**
Intangible assets	26	**7**	**–**	**–**	**–**	**7**
Other assets	29	**4,793**	**1,267**	**–**	**(1,027)**	**5,033**
Total		**500,761**	**109,367**	**(13,698)**	**(27,903)**	**568,527**

	Note	2019				
		As at 1 January	(Reversal)/ charge for the year	Transfer (out)/in	Write-off	As at 31 December
Deposits with banks and non-bank financial institutions	16	230	(12)	–	–	218
Precious metals		72	(34)	–	–	38
Placements with banks and non-bank financial institutions	17	114	114	(3)	–	225
Financial assets held under resale agreements	19	44	19	–	–	63
Loans and advances to customers	20	417,623	148,266	(34,653)	(49,078)	482,158
Financial assets measured at amortised cost	21(2)(a)	6,835	5,789	78	–	12,702
Long-term equity investments	22	41	–	(41)	–	–
Fixed assets	24	424	25	–	(28)	421
Land use rights	25	138	–	–	(2)	136
Intangible assets	26	8	1	–	(2)	7
Other assets	29	3,937	2,588	–	(1,732)	4,793
Total		429,466	156,756	(34,619)	(50,842)	500,761

Transfer in/(out) includes exchange differences.

31 Borrowings from central banks

	30 June 2020	31 December 2019
Mainland China	**526,904**	487,204
Overseas	**55,741**	56,447
Accrued interest	**10,322**	5,782
Total	**592,967**	549,433

(Expressed in millions of RMB, unless otherwise stated)

32 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2020	31 December 2019
Banks	153,441	167,383
Non-bank financial institutions	1,596,954	1,498,901
Accrued interest	7,316	6,414
Total	1,757,711	1,672,698

(2) Analysed by geographical sectors

	30 June 2020	31 December 2019
Mainland China	1,606,976	1,508,483
Overseas	143,419	157,801
Accrued interest	7,316	6,414
Total	1,757,711	1,672,698

33 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2020	31 December 2019
Banks	427,147	476,574
Non-bank financial institutions	41,008	42,576
Accrued interest	1,586	2,403
Total	469,741	521,553

(2) Analysed by geographical sectors

	30 June 2020	31 December 2019
Mainland China	194,241	261,632
Overseas	273,914	257,518
Accrued interest	1,586	2,403
Total	469,741	521,553

(Expressed in millions of RMB, unless otherwise stated)

34 Financial liabilities measured at fair value through profit or loss

	30 June 2020	31 December 2019
Principal guaranteed wealth management products	**191,340**	178,770
Financial liabilities related to precious metals	**35,478**	31,065
Structured financial instruments	**185,760**	71,762
Total	**412,578**	281,597

The Group's financial liabilities measured at fair value through profit or loss are those designated as measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period and the year presented and cumulatively as at 30 June 2020 and 31 December 2019.

35 Financial assets sold under repurchase agreements

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

	30 June 2020	31 December 2019
Debt securities		
– Government bonds	**105,038**	103,380
– Debt securities issued by policy banks, banks and non-bank financial institutions	**13,518**	7,754
– Corporate bonds	**4,013**	40
Subtotal	**122,569**	111,174
Discounted bills	**–**	418
Others	**2,252**	2,920
Accrued interest	**77**	146
Total	**124,898**	114,658

(Expressed in millions of RMB, unless otherwise stated)

36 Deposits from customers

	30 June 2020	31 December 2019
Demand deposits		
– Corporate customers	**6,534,740**	6,001,053
– Personal customers	**4,602,815**	4,136,591
Subtotal	**11,137,555**	10,137,644
Time deposits (including call deposits)		
– Corporate customers	**3,643,530**	3,239,657
– Personal customers	**5,384,901**	4,781,485
Subtotal	**9,028,431**	8,021,142
Accrued interest	**236,176**	207,507
Total	**20,402,162**	18,366,293

Deposits from customers include:

		30 June 2020	31 December 2019
(1)	Pledged deposits		
	– Deposits for acceptance	**64,705**	57,367
	– Deposits for guarantee	**47,404**	52,351
	– Deposits for letter of credit	**16,557**	11,593
	– Others	**223,482**	180,387
	Total	**352,148**	301,698
(2)	Outward remittance and remittance payables	**17,918**	19,805

(Expressed in millions of RMB, unless otherwise stated)

37 Accrued staff costs

	Note	Six months ended 30 June 2020			
		As at 1 January	**Increased**	**Decreased**	**As at 30 June**
Salaries, bonuses, allowances and subsidies		**24,025**	**33,102**	**(37,141)**	**19,986**
Housing funds		**355**	**3,136**	**(3,271)**	**220**
Union running costs and employee education costs		**4,983**	**1,246**	**(666)**	**5,563**
Post-employment benefits	(1)				
– Defined contribution plans		**4,333**	**4,329**	**(4,241)**	**4,421**
– Defined benefit plans		**(363)**	**–**	**(167)**	**(530)**
Early retirement benefits		**1,396**	**17**	**(61)**	**1,352**
Compensation to employees for termination of employment relationship		**2**	**–**	**(2)**	**–**
Others	(2)	**4,344**	**3,435**	**(3,543)**	**4,236**
Total		**39,075**	**45,265**	**(49,092)**	**35,248**

	Note	2019			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		23,673	69,862	(69,510)	24,025
Housing funds		182	6,524	(6,351)	355
Union running costs and employee education costs		3,531	2,948	(1,496)	4,983
Post-employment benefits	(1)				
– Defined contribution plans		2,681	14,280	(12,628)	4,333
– Defined benefit plans		(158)	28	(233)	(363)
Early retirement benefits		1,520	40	(164)	1,396
Compensation to employees for termination of employment relationship		2	6	(6)	2
Others	(2)	4,782	12,154	(12,592)	4,344
Total		36,213	105,842	(102,980)	39,075

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

(1) Post-employment benefits

(a) Defined contribution plans

	Six months ended 30 June 2020			
	As at 1 January	**Increased**	**Decreased**	**As at 30 June**
Basic pension insurance	**608**	**2,623**	**(2,509)**	**722**
Unemployment insurance	**42**	**91**	**(74)**	**59**
Annuity contribution	**3,683**	**1,615**	**(1,658)**	**3,640**
Total	**4,333**	**4,329**	**(4,241)**	**4,421**

	2019			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	761	8,994	(9,147)	608
Unemployment insurance	39	299	(296)	42
Annuity contribution	1,881	4,987	(3,185)	3,683
Total	2,681	14,280	(12,628)	4,333

(Expressed in millions of RMB, unless otherwise stated)

37 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

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

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

	Present value of defined benefit plan obligations		**Fair value of plan assets**		**Net liabilities/(assets) of defined benefit plans**	
	Six months ended 30 June 2020	2019	**Six months ended 30 June 2020**	2019	**Six months ended 30 June 2020**	2019
As at 1 January	**5,776**	6,139	**6,139**	6,297	**(363)**	(158)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**89**	188	**96**	194	**(7)**	(6)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial (losses)/gains	**(42)**	28	**–**	–	**(42)**	28
– Returns on plan assets	**–**	–	**118**	227	**(118)**	(227)
Other changes						
– Benefits paid	**(287)**	(579)	**(287)**	(579)	**–**	–
As at 30 June/31 December	**5,536**	5,776	**6,066**	6,139	**(530)**	(363)

Interest cost was recognised in operating expenses.

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

	30 June 2020	31 December 2019
Discount rate	**3.00%**	3.25%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**11.0 years**	11.0 years

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

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

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(110)	114
Health care cost increase rate	43	(42)

(iii) *As at 30 June 2020, the weighted average duration of supplementary retirement benefit obligations of the Group was 8.1 years (as at 31 December 2019: 8.0 years).*

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

	30 June 2020	31 December 2019
Cash and cash equivalents	**285**	198
Equity instruments	**721**	595
Debt instruments	**4,960**	5,239
Others	**100**	107
Total	**6,066**	6,139

(Expressed in millions of RMB, unless otherwise stated)

37 Accrued staff costs (continued)

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

38 Taxes payable

	30 June 2020	31 December 2019
Income tax	**36,628**	75,388
Value added tax	**10,679**	8,783
Others	**1,646**	2,464
Total	**48,953**	86,635

39 Provisions

	30 June 2020	31 December 2019
Expected credit losses on off-balance sheet business	**36,685**	35,479
Litigation provisions and others	**7,531**	7,464
Total	**44,216**	42,943

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

		Six months ended 30 June 2020			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		**24,773**	**4,401**	**6,305**	**35,479**
Transfers:					
Transfers in/(out) to Stage 1		**55**	**(55)**	**–**	**–**
Transfers in/(out) to Stage 2		**(161)**	**161**	**–**	**–**
Transfers in/(out) to Stage 3		**(26)**	**(863)**	**889**	**–**
Newly originated		**14,737**	**–**	**–**	**14,737**
Matured		**(9,815)**	**(1,972)**	**(3,025)**	**(14,812)**
Remeasurements	(a)	**(1,758)**	**2,343**	**696**	**1,281**
As at 30 June 2020		**27,805**	**4,015**	**4,865**	**36,685**

		2019			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		22,344	5,971	2,909	31,224
Transfers:					
Transfers in/(out) to Stage 1		675	(675)	–	–
Transfers in/(out) to Stage 2		(199)	206	(7)	–
Transfers in/(out) to Stage 3		(172)	(21)	193	–
Newly originated		18,072	–	–	18,072
Matured		(14,106)	(3,373)	(1,891)	(19,370)
Remeasurements	(a)	(1,841)	2,293	5,101	5,553
As at 31 December 2019		24,773	4,401	6,305	35,479

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

(Expressed in millions of RMB, unless otherwise stated)

40 Debt securities issued

	Note	30 June 2020	31 December 2019
Certificates of deposit issued	(1)	**551,365**	709,383
Bonds issued	(2)	**119,806**	127,863
Subordinated bonds issued	(3)	**79,980**	81,694
Eligible Tier 2 capital bonds issued	(4)	**154,097**	153,703
Accrued interest		**8,615**	3,932
Total		**913,863**	1,076,575

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

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	30 June 2020	31 December 2019
05/09/2014	05/09/2021	4.00%	Taiwan	RMB	**600**	600
18/11/2014	18/11/2021	3.95%	Taiwan	RMB	**1,000**	1,000
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	**600**	600
20/01/2015	20/01/2020	3.125%	Hong Kong	USD	**–**	4,873
11/02/2015	11/02/2020	1.50%	Luxembourg	EUR	**–**	3,901
18/06/2015	18/06/2020	3-month New Zealand benchmark interest rate+1.2%	Auckland	NZD	**–**	117
28/07/2015	28/07/2020	3.25%	Hong Kong	USD	**3,537**	3,481
29/12/2015	27/01/2020	3.80%	Auckland	NZD	**–**	94
30/03/2016	30/03/2026	4.08%	Mainland China	RMB	**3,500**	3,500
31/05/2016	31/05/2021	2.75%	Hong Kong	USD	**2,124**	2,088
18/08/2016	18/09/2020	2.95%	Auckland	NZD	**466**	482
18/10/2016	18/10/2020	3.05%	Auckland	NZD	**7**	7
21/10/2016	21/10/2021	2.25%	Hong Kong	USD	**4,741**	4,331
09/11/2016	09/11/2021	3.05%	Mainland China	RMB	**800**	800
17/02/2017	17/02/2020	0.63%	Luxembourg	EUR	**–**	3,903
31/05/2017	29/05/2020	3M LIBOR +0.77%	Hong Kong	USD	**–**	8,353
13/06/2017	13/06/2022	2.75%	Hong Kong	USD	**4,244**	4,177
25/10/2017	25/10/2022	3.15%	Hong Kong	USD	**707**	696
25/10/2017	27/10/2020	2.20%	Hong Kong	USD	**85**	84
26/10/2017	26/10/2020	2.08%	Singapore	SGD	**2,533**	2,586
09/11/2017	09/11/2022	3.93%	Auckland	NZD	**679**	702
04/12/2017	04/12/2020	2.29%	Hong Kong	USD	**5,659**	5,569
04/12/2017	04/12/2020	2.75%	Hong Kong	USD	**3,537**	3,481
04/12/2017	04/12/2022	3.00%	Hong Kong	USD	**2,830**	2,784
13/03/2018	13/03/2021	3.20%	Auckland	NZD	**45**	47
17/04/2018	26/03/2021	3M LIBOR +0.75%	Hong Kong	USD	**566**	557
18/04/2018	18/04/2021	4.88%	Mainland China	RMB	**6,000**	6,000
30/04/2018	30/04/2021	3M LIBOR +0.75%	Hong Kong	USD	**141**	139
04/05/2018	04/05/2021	3M LIBOR +0.80%	Hong Kong	USD	**177**	174
08/06/2018	08/06/2021	3M LIBOR +0.73%	Hong Kong	USD	**6,366**	6,265
08/06/2018	08/06/2023	3M LIBOR +0.83%	Hong Kong	USD	**4,244**	4,177
19/06/2018	19/06/2023	4.01%	Auckland	NZD	**453**	468
12/07/2018	12/07/2023	3M LIBOR +1.25%	Hong Kong	USD	**2,830**	2,785
20/07/2018	20/07/2021	4.48%	Mainland China	RMB	**3,000**	3,000
21/08/2018	19/06/2023	4.005%	Auckland	NZD	**158**	164
23/08/2018	23/08/2021	4.25%	Mainland China	RMB	**2,500**	2,500
21/09/2018	21/09/2020	2.643%	Singapore	SGD	**1,520**	1,552
24/09/2018	24/09/2021	3M LIBOR +0.75%	Hong Kong	USD	**7,074**	6,961
24/09/2018	24/09/2021	3M EURIBOR +0.60%	Luxembourg	EUR	**3,967**	3,903
20/12/2018	20/12/2021	3M LIBOR +0.75%	Auckland	USD	**705**	696
24/12/2018	24/12/2020	3M LIBOR +0.70%	Hong Kong	USD	**1,132**	1,114
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	**2,833**	2,788
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	**1,415**	1,392
26/06/2019	24/06/2022	0.21%	Japan	JPY	**1,314**	1,281
26/08/2019	26/08/2022	3.30%	Mainland China	RMB	**6,300**	6,300
26/08/2019	26/08/2024	3.40%	Mainland China	RMB	**3,000**	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	**2,122**	2,088
12/09/2019	12/08/2022	3M LIBOR +0.68%	Auckland	USD	**705**	696
22/10/2019	22/10/2022	0.05%	Luxembourg	EUR	**3,967**	3,903
24/10/2019	24/10/2024	3M LIBOR +0.77%	Hong Kong	USD	**4,952**	4,873
22/11/2019	22/11/2024	2.393%	Auckland	NZD	**385**	398
10/12/2019	10/11/2022	3-month New Zealand benchmark interest rate +0.88%	Auckland	NZD	**407**	421
20/12/2019	20/06/2022	3M LIBOR +0.63%	Luxembourg	USD	**2,124**	2,087
16/03/2020	15/03/2023	2.68%	Mainland China	RMB	**6,000**	–
16/03/2020	15/03/2025	2.75%	Mainland China	RMB	**5,000**	–
19/03/2020	19/03/2022	2.95%	Hong Kong	RMB	**799**	–
Total nominal value					**119,850**	127,938
Less: unamortised issuance costs					**(44)**	(75)
Carrying value as at period/year end					**119,806**	127,863

(Expressed in millions of RMB, unless otherwise stated)

40 Debt securities issued (continued)

(3) Subordinated bonds issued

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

Issue date	Maturity date	Interest rate per annum	Currency	Note	30 June 2020	31 December 2019
27/04/2010	27/04/2020	8.50%	USD	(a)	–	1,720
03/11/2011	07/11/2026	5.70%	RMB	(b)	40,000	40,000
20/11/2012	22/11/2027	4.99%	RMB	(c)	40,000	40,000
Total nominal value					80,000	81,720
Less: unamortised issuance cost					(20)	(26)
Carrying value as at period/year end					79,980	81,694

(a) The subordinated bonds were issued by CCB Brasil, and expired on 27 April 2020.

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

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

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	30 June 2020	31 December 2019
18/08/2014	18/08/2029	5.98%	RMB	(a)	20,000	20,000
13/05/2015	13/05/2025	3.88%	USD	(b)	–	13,923
21/12/2015	21/12/2025	4.00%	RMB	(c)	24,000	24,000
25/09/2018	25/09/2028	4.86%	RMB	(d)	43,000	43,000
29/10/2018	29/10/2028	4.70%	RMB	(e)	40,000	40,000
27/02/2019	27/02/2029	4.25%	USD	(f)	13,087	12,879
24/06/2020	24/06/2030	2.45%	USD	(g)	14,148	–
Total nominal value					154,235	153,802
Less: unamortised issuance cost					(138)	(99)
Carrying value as at period/year end					154,097	153,703

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

(b) The Group has chosen to exercise the option to redeem all the bonds on 13 May 2020.

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

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

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

(f) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If the Group does not exercise the option to redeem, then, from 27 February 2024 onward, the interest rate will be reset annually. The coupon rate will be equal to 5-year US treasury bond benchmark interest rate as at the interest reset date plus 1.88%. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 24 June 2025, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(Expressed in millions of RMB, unless otherwise stated)

41 Other liabilities

	Note	30 June 2020	31 December 2019
Insurance related liabilities		**171,373**	147,121
Dividends payable		**80,019**	15
Clearing and settlement accounts		**29,580**	34,275
Payment and collection clearance accounts		**23,633**	41,265
Lease liabilities	(1)	**22,123**	22,123
Deferred income		**19,404**	20,408
Cash pledged and rental income received in advance		**8,099**	9,007
Dormant accounts		**7,222**	6,871
Capital expenditure payable		**7,043**	9,717
Accrued expenses		**5,916**	4,921
Others		**137,896**	119,712
Total		**512,308**	415,435

(1) Lease liabilities

Maturity analysis – undiscounted analysis

	30 June 2020	31 December 2019
Within one year	**6,719**	6,559
Between one year and five years	**14,266**	15,339
More than five years	**4,974**	3,722
Total undiscounted lease liabilities	**25,959**	25,620
Lease liabilities	**22,123**	22,123

42 Share capital

	30 June 2020	31 December 2019
Listed in Hong Kong (H shares)	**240,417**	240,417
Listed in Mainland China (A shares)	**9,594**	9,594
Total	**250,011**	250,011

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

43 Other equity instruments

(1) Preference shares

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

Financial instrument outstanding	Issue date	Classification	Initial interest rate	Issue price	Quantity (million shares)	Currency	Total amount: Original currency	Total amount: (RMB)	Maturity date	Redemption/ conversion conditions
2015 Offshore Preference Shares	16 December 2015	Equity instruments	4.65%	US$20 per share	152.5	USD	3,050	19,711	No maturity date	None
2017 Domestic Preference Shares	26 December 2017	Equity instruments	4.75%	RMB100 per share	600	RMB	60,000	60,000	No maturity date	None
Less: Issue fee								(75)		
Carrying amount								79,636		

43 Other equity instruments (continued)

(1) Preference shares (continued)

(b) The key terms

(i) Offshore Preference Shares

Dividend

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

Redemption

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

Compulsory conversion of preference shares

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

(ii) Domestic Preference Shares

Dividend

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

The dividends on the Domestic Preference Shares are distributed annually.

Redemption

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

(Expressed in millions of RMB, unless otherwise stated)

43 Other equity instruments (continued)

(1) Preference shares (continued)

(b) *The key terms (continued)*

(ii) *Domestic Preference Shares (continued)*

Compulsory conversion of preference shares

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

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

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

(c) *Changes in preference shares outstanding*

	1 January 2020		Increase/(Decrease)		30 June 2020	
Financial instrument outstanding	**Amount (million shares)**	**Carrying value**	**Amount (million shares)**	**Carrying value**	**Amount (million shares)**	**Carrying value**
2015 Offshore Preference Shares	152.5	19,659	–	–	**152.5**	**19,659**
2017 Domestic Preference Shares	600	59,977	–	–	**600**	**59,977**
Total	752.5	79,636	–	–	**752.5**	**79,636**

(2) Perpetual bonds

(a) *Perpetual bonds outstanding at the end of the reporting period*

Financial instrument outstanding	Issue date	Classification	Initial interest rate	Issue price	Quantity (million pieces)	Currency	Total Amount	Maturity date	Redemption/ write-down conditions
Undated Additional Tier 1 Capital Bonds	15 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issue fee							(9)		
Carrying amount							39,991		

43 Other equity instruments (continued)

(2) Perpetual bonds (continued)

(b) The key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") 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 Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (i) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the CBIRC.

Write-down/write-off clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Bank would become non-viable without a write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

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

(Expressed in millions of RMB, unless otherwise stated)

43 Other equity instruments (continued)

(2) Perpetual bonds (continued)

(c) Changes in perpetual bonds outstanding

	1 January 2019		Increase/(Decrease)		30 June 2020	
Financial instrument outstanding	Amount (million pieces)	Carrying value	Amount (million pieces)	Carrying value	Amount (million pieces)	Carrying value
Undated Additional Tier 1 Capital Bonds	400	39,991	–	–	**400**	**39,991**
Total	400	39,991	–	–	**400**	**39,991**

(3) Interests attributable to the holders of equity instruments

Items	**30 June 2020**	31 December 2019
1. Total equity attributable to equity holders of the Bank	**2,281,066**	2,216,257
(1) Equity attributable to ordinary equity holders of the Bank	**2,161,439**	2,096,630
(2) Equity attributable to other equity holders of the Bank	**119,627**	119,627
Of which: net profit	**–**	3,962
dividends received	**–**	3,962
2. Total equity attributable to non-controlling interests	**20,251**	18,870
(1) Equity attributable to non-controlling interests of ordinary shares	**16,798**	15,417
(2) Equity attributable to non-controlling interests of other equity instruments	**3,453**	3,453

44 Capital reserve

	30 June 2020	31 December 2019
Share premium	**134,537**	134,537

45 Other comprehensive income

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income — Six months ended 30 June 2020				
	1 January 2020	Net-of-tax amount attributable to equity shareholders of the Bank	30 June 2020	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	(207)	160	**(47)**	160	–	–	160	–
Fair value changes of equity of equity instruments designated as measured at fair value through other comprehensive income	1,043	(277)	**766**	(370)	–	93	(277)	–
Others	580	–	**580**	–	–	–	–	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	25,974	6,396	**32,370**	9,122	(503)	(2,171)	6,396	52
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,901	605	**4,506**	806	–	(201)	605	–
Net (loss)/gain on cash flow hedges	(239)	115	**(124)**	115	–	–	115	–
Exchange difference on translating foreign operations	934	188	**1,122**	180	–	–	188	(8)
Total	31,986	7,187	**39,173**	10,013	(503)	(2,279)	7,187	44

(Expressed in millions of RMB, unless otherwise stated)

45 Other comprehensive income (continued)

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2019				
	1 January 2019	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2019	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	(406)	199	(207)	199	–	–	199	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	599	444	1,043	592	–	(148)	444	–
Others	521	59	580	59	–	–	59	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	17,165	8,809	25,974	11,893	(234)	(2,829)	8,809	21
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	2,277	1,624	3,901	2,171	–	(547)	1,624	–
Net gain/(loss) on cash flow hedges	53	(292)	(239)	(292)	–	–	(292)	–
Exchange difference on translating foreign operations	(1,758)	2,692	934	2,682	–	–	2,692	(10)
Total	18,451	13,535	31,986	17,304	(234)	(3,524)	13,535	11

46 Surplus reserve

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

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

47 General reserve

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

	Note	30 June 2020	31 December 2019
MOF	(1)	**305,825**	305,825
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in Mainland China	(3)	**5,880**	5,753
Other overseas regulatory bodies		**692**	687
Total		**314,521**	314,389

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

48 Profit distribution

In the Annual General Meeting held on 19 June 2020, the shareholders approved the profit distribution for the year ended 31 December 2019. The Bank appropriated cash dividend for the year ended 31 December 2019 in an aggregate amount of RMB80,004 million.

49 Notes to the statement of cash flows

Cash and cash equivalents

	30 June 2020	31 December 2019	30 June 2019
Cash	**61,051**	60,791	59,906
Surplus deposit reserves with central banks	**246,721**	398,676	301,981
Demand deposits with banks and non-bank financial institutions	**110,732**	91,819	63,071
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**63,410**	281,348	130,231
Placements with banks and non-bank financial institutions with original maturity with or within three months	**170,843**	219,706	186,037
Total	**652,757**	1,052,340	741,226

50 Transferred financial assets

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

Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2020, the carrying value of debt securities lent to counterparties was RMB9,361 million (as at 31 December 2019: RMB5,291 million).

Credit asset securitisation transactions

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

As at 30 June 2020, loans with an original carrying amount of RMB651,792 million (as at 31 December 2019: RMB608,956 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2020, the carrying amount of assets that the Group continued to recognise was RMB70,152 million (as at 31 December 2019: RMB66,306 million). As at 30 June 2020, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB70,152 million (as at 31 December 2019: RMB66,507 million).

As at 30 June 2020, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB463 million (as at 31 December 2019: RMB292 million), and its maximum loss exposure approximates to the carrying amount.

51 Operating segments

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

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

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

(1) Geographical segments

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

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

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

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

- "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

- the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

- the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

- the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	31,597	29,214	19,023	37,052	30,447	4,007	109,692	5,461	266,493
Internal net interest income/ (expense)	12,072	11,946	21,367	12,870	13,549	8,127	(81,655)	1,724	–
Net interest income	43,669	41,160	40,390	49,922	43,996	12,134	28,037	7,185	266,493
Net fee and commission income	10,801	14,154	11,241	9,844	6,919	2,477	23,209	1,376	80,021
Net trading gain/(loss)	143	126	115	155	91	20	2,800	(137)	3,313
Dividend income	73	–	969	281	1	–	54	118	1,496
Net gain/(loss) arising from investment securities	1,578	(232)	(92)	43	203	(1,062)	2,243	1,303	3,984
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(3)	–	27	–	–	–	1,344	13	1,381
Other operating (expense)/income, net	(1,038)	433	970	115	748	34	810	1,164	3,236
Operating income	55,223	55,641	53,620	60,360	51,958	13,603	58,497	11,022	359,924
Operating expenses	(12,182)	(10,471)	(12,906)	(14,207)	(12,465)	(5,266)	(6,453)	(5,855)	(79,805)
Credit impairment losses	(15,545)	(16,962)	(13,422)	(30,207)	(13,392)	(5,046)	(14,253)	(2,551)	(111,378)
Other impairment losses	(10)	–	(130)	7	4	1	(28)	(32)	(188)
Share of profits of associates and joint ventures	–	–	149	68	–	–	–	3	220
Profit before tax	27,486	28,208	27,311	16,021	26,105	3,292	37,763	2,587	168,773
Capital expenditure	344	145	960	385	234	229	273	3,278	5,848
Depreciation and amortisation	1,787	1,621	2,157	2,531	2,075	918	1,104	877	13,070
	30 June 2020								
Segment assets	5,071,162	4,275,921	5,894,078	4,786,639	3,947,681	1,407,181	10,508,896	1,708,056	37,599,614
Long-term equity investments	1	–	3,914	7,359	–	–	–	570	11,844
	5,071,163	4,275,921	5,897,992	4,793,998	3,947,681	1,407,181	10,508,896	1,708,626	37,611,458
Deferred tax assets									83,400
Elimination									(10,039,611)
Total assets									27,655,247
Segment liabilities	5,049,633	4,242,776	5,818,874	4,762,553	3,934,243	1,405,422	8,603,391	1,576,100	35,392,992
Deferred tax liabilities									549
Elimination									(10,039,611)
Total liabilities									25,353,930
Off-balance sheet credit commitments	599,235	552,904	681,851	622,724	458,806	160,400	–	259,820	3,335,740

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2019								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	28,865	27,290	20,332	30,107	27,497	5,525	104,502	6,318	250,436
Internal net interest income/ (expense)	8,706	6,735	17,352	13,304	11,835	6,406	(63,286)	(1,052)	–
Net interest income	37,571	34,025	37,684	43,411	39,332	11,931	41,216	5,266	250,436
Net fee and commission income	10,782	13,073	10,813	9,514	6,020	2,323	22,922	1,248	76,695
Net trading gain/(loss)	39	111	97	106	65	3	4,460	(23)	4,858
Dividend income	44	–	28	11	2	–	24	305	414
Net gain/(loss) arising from investment securities	2,282	(112)	(94)	111	245	594	2,031	1,484	6,541
Net gain/(loss) on derecognition of financial assets measured at amortised cost	2	–	167	(1)	–	–	1,209	58	1,435
Other operating (expense)/income, net	(706)	358	619	168	708	41	301	2,519	4,008
Operating income	50,014	47,455	49,314	53,320	46,372	14,892	72,163	10,857	344,387
Operating expenses	(12,157)	(9,688)	(12,604)	(14,330)	(12,641)	(5,217)	(7,331)	(4,581)	(78,549)
Credit impairment losses	(8,633)	(12,256)	(16,671)	(14,038)	(11,621)	(3,194)	(7,887)	(338)	(74,638)
Other impairment losses	(6)	(1)	(50)	25	30	7	(121)	(32)	(148)
Share of profits of associates and joint ventures	–	–	–	116	–	–	–	12	128
Profit before tax	29,218	25,510	19,989	25,093	22,140	6,488	56,824	5,918	191,180
Capital expenditure	282	222	830	549	556	190	111	2,255	4,995
Depreciation and amortisation	1,691	1,482	1,833	2,176	1,835	857	942	518	11,334

	31 December 2019								
Segment assets	4,749,944	3,767,856	5,570,438	4,480,717	3,670,832	1,286,929	9,745,744	1,722,267	34,994,727
Long-term equity investments	1	–	3,764	6,971	–	–	–	617	11,353
	4,749,945	3,767,856	5,574,202	4,487,688	3,670,832	1,286,929	9,745,744	1,722,884	35,006,080
Deferred tax assets									72,314
Elimination									(9,642,133)
Total assets									25,436,261
Segment liabilities	4,738,703	3,754,627	5,473,747	4,488,214	3,678,278	1,290,772	7,817,032	1,601,437	32,842,810
Deferred tax liabilities									457
Elimination									(9,642,133)
Total liabilities									23,201,134
Off-balance sheet credit commitments	546,411	506,947	640,521	557,471	407,151	149,396	–	277,910	3,085,807

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

	Six months ended 30 June 2020				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	96,279	65,843	91,740	12,631	266,493
Internal net interest income/(expense)	30,447	43,361	(67,443)	(6,365)	–
Net interest income	126,726	109,204	24,297	6,266	266,493
Net fee and commission income	20,006	46,348	10,636	3,031	80,021
Net trading (loss)/gain	(1,046)	(19)	2,808	1,570	3,313
Dividend income	–	–	1	1,495	1,496
Net (loss)/gain arising from investment securities	(1,932)	(1,055)	6,980	(9)	3,984
Net gain on derecognition of financial assets measured at amortised cost	–	1,281	63	37	1,381
Other operating income/(expense), net	51	491	3,257	(563)	3,236
Operating income	143,805	156,250	48,042	11,827	359,924
Operating expenses	(29,173)	(37,791)	(4,927)	(7,914)	(79,805)
Credit impairment losses	(82,207)	(22,717)	(2,282)	(4,172)	(111,378)
Other impairment losses	–	–	(34)	(154)	(188)
Share of profits of associates and joint ventures	–	–	–	220	220
Profit before tax	32,425	95,742	40,799	(193)	168,773
Capital expenditure	741	1,067	108	3,932	5,848
Depreciation and amortisation	4,596	6,618	672	1,184	13,070
	30 June 2020				
Segment assets	9,401,299	7,044,737	9,464,321	1,749,622	27,659,979
Long-term equity investments	–	–	–	11,844	11,844
	9,401,299	7,044,737	9,464,321	1,761,466	27,671,823
Deferred tax assets					83,400
Elimination					(99,976)
Total assets					27,655,247
Segment liabilities	11,588,494	10,238,749	1,334,346	2,291,768	25,453,357
Deferred tax liabilities					549
Elimination					(99,976)
Total liabilities					25,353,930
Off-balance sheet credit commitments	1,962,522	1,113,398	–	259,820	3,335,740

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2019				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	93,280	57,009	90,423	9,724	250,436
Internal net interest income/(expense)	24,612	30,856	(52,464)	(3,004)	–
Net interest income	117,892	87,865	37,959	6,720	250,436
Net fee and commission income	17,971	45,729	9,447	3,548	76,695
Net trading (loss)/gain	(119)	(30)	1,803	3,204	4,858
Dividend income	–	–	2	412	414
Net (loss)/gain arising from investment securities	(1,401)	(1,796)	5,346	4,392	6,541
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(1)	1,174	36	226	1,435
Other operating income, net	5	335	635	3,033	4,008
Operating income	134,347	133,277	55,228	21,535	344,387
Operating expenses	(28,574)	(38,079)	(4,946)	(6,950)	(78,549)
Credit impairment losses	(61,884)	(9,309)	(2,475)	(970)	(74,638)
Other impairment losses	(13)	–	(69)	(66)	(148)
Share of profits of associates and joint ventures	–	–	–	128	128
Profit before tax	43,876	85,889	47,738	13,677	191,180
Capital expenditure	938	1,400	151	2,506	4,995
Depreciation and amortisation	3,939	5,884	633	878	11,334
	31 December 2019				
Segment assets	8,132,225	6,658,229	9,070,449	1,739,892	25,600,795
Long-term equity investments	–	–	–	11,353	11,353
	8,132,225	6,658,229	9,070,449	1,751,245	25,612,148
Deferred tax assets					72,314
Elimination					(248,201)
Total assets					25,436,261
Segment liabilities	10,629,081	9,174,974	1,414,808	2,230,015	23,448,878
Deferred tax liabilities					457
Elimination					(248,201)
Total liabilities					23,201,134
Off-balance sheet credit commitments	1,789,423	1,018,474	–	277,910	3,085,807

(Expressed in millions of RMB, unless otherwise stated)

52 Entrusted lending business

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

	30 June 2020	31 December 2019
Entrusted loans	3,390,489	3,219,935
Entrusted funds	3,390,489	3,219,935

53 Pledged assets

(1) Assets pledged as securities

The Group's collateral for liabilities or contingent liabilities includes financial assets such as securities and bills, which mainly serve as collateral for repurchase agreements, derivative contracts and local statutory requirements. As at 30 June 2020, the carrying values of the Group's financial assets pledged as collateral amounted to approximately RMB821,757 million (31 December 2019: RMB923,623 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that is allowed to sell or repledge in the absence of default by their owners. As at 30 June 2020, the Group has received securities with a fair value of approximately RMB5,589 million on such terms (31 December 2019: RMB8,589 million).

54 Commitments and contingent liabilities

(1) Credit commitments

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

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

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

	30 June 2020	31 December 2019
Loan commitments		
– with an original maturity within one year	110,877	94,491
– with an original maturity of one year or over	434,705	373,227
Credit card commitments	1,155,092	1,063,718
	1,700,674	1,531,436
Bank acceptances	238,686	207,578
Financing guarantees	44,810	61,876
Non-financing guarantees	1,171,734	1,125,462
Sight letters of credit	40,476	36,629
Usance letters of credit	129,937	119,211
Others	9,423	3,615
Total	3,335,740	3,085,807

(Expressed in millions of RMB, unless otherwise stated)

54 Commitments and contingent liabilities (continued)

(2) Credit risk-weighted amount

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

	30 June 2020	31 December 2019
Credit risk-weighted amount of contingent liabilities and commitments	**1,200,808**	1,050,190

(3) Capital commitments

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

	30 June 2020	31 December 2019
Contracted for	**21,454**	20,077

(4) Underwriting obligations

As at 30 June 2020, there was no unexpired underwriting commitment of the Group (as at 31 December 2019: RMB60 million).

(5) Government bond redemption obligations

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

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2020, were RMB76,800 million (as at 31 December 2019: RMB86,794 million).

(6) Outstanding litigations and disputes

As at 30 June 2020, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,729 million (as at 31 December 2019: RMB9,593 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group’s internal and external legal counsels (Note 39). The Group considers that the provisions made are reasonable and adequate.

(7) Provision against commitments and contingent liabilities

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

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

The Group is currently making arrangements for implementing remediation in accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* which was jointly issued by the PBOC and three other ministries as well as the PBOC’s announcement to extend the transition period to 2021. The Group will duly implement relevant policies in accordance with regulatory requirements, assess and disclose the relevant impact on a timely basis.

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

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

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2020, Huijin directly held 57.11% of shares of the Bank.

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

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

The Group has issued subordinated debts with a nominal value of RMB80,000 million (as at 31 December 2019: RMB81,720 million). These are bearer bonds and tradable in the secondary market. The Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) *Transactions with parent companies*

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

Amounts

	Six months ended 30 June			
	2020		2019	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**1,101**	**0.23%**	1,028	0.24%
Interest expense	**31**	**0.02%**	56	0.03%
Net trading gain	**29**	**0.88%**	7	0.14%

Balances outstanding as at the end of the reporting period

	30 June 2020		31 December 2019	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Loans and advances to customers	**12,000**	**0.08%**	22,000	0.15%
Financial investments				
Financial assets measured at fair value through profit or loss	**2,369**	**0.35%**	426	0.06%
Financial assets measured at amortised cost	**20,942**	**0.51%**	13,090	0.35%
Financial assets measured at fair value through other comprehensive income	**19,717**	**1.03%**	17,278	0.96%
Deposits from banks and non-bank financial institutions	**23**	**0.00%**	25	0.00%
Deposits from customers	**2,200**	**0.01%**	1,379	0.01%
Credit commitments	**288**	**0.01%**	288	0.01%

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions (continued)

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

(b) Transactions with the affiliates of parent companies

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

Amounts

		Six months ended 30 June			
		2020		2019	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**9,385**	**1.99%**	11,371	2.63%
Interest expense		**1,911**	**0.94%**	1,954	1.07%
Fee and commission income		**152**	**0.17%**	137	0.16%
Fee and commission expense		**207**	**2.37%**	114	1.53%
Net trading gain		**214**	**6.46%**	218	4.49%
Net gain arising from investment securities		**947**	**23.77%**	975	14.91%
Operating expenses	(i)	**335**	**0.42%**	324	0.41%

Balances outstanding as at the end of the reporting period

		30 June 2020		31 December 2019	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**60,746**	**7.28%**	47,017	11.20%
Placements with banks and non-bank financial institutions		**88,796**	**17.43%**	172,472	32.47%
Positive fair value of derivatives		**2,404**	**9.56%**	4,387	12.66%
Financial assets held under resale agreements		**11,807**	**2.61%**	34,246	6.14%
Loans and advances to customers		**114,227**	**0.72%**	86,960	0.60%
Financial investments					
Financial assets measured at fair value through profit or loss		**70,966**	**10.41%**	70,184	10.39%
Financial assets measured at amortised cost		**209,228**	**5.05%**	262,925	7.03%
Financial assets measured at fair value through other comprehensive income		**224,760**	**11.76%**	198,140	11.02%
Other assets	(ii)	**139**	**0.05%**	204	0.10%
Deposits from banks and non-bank financial institutions	(iii)	**90,549**	**5.15%**	94,204	5.63%
Placements from banks and non-bank financial institutions		**124,004**	**26.40%**	141,708	27.17%
Financial liabilities measured at fair value through profit or loss		**107**	**0.03%**	81	0.03%
Negative fair value of derivatives		**2,892**	**7.47%**	4,666	13.81%
Financial assets sold under repurchase agreements		**12,418**	**9.94%**	5,172	4.51%
Deposits from customers		**70,956**	**0.35%**	46,787	0.25%
Other liabilities		**8,581**	**1.67%**	9,135	2.20%
Credit commitments		**22,102**	**0.66%**	27,156	0.88%

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

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

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

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions (continued)

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

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	Six months ended 30 June	
	2020	2019
Interest income	**94**	45
Interest expense	**19**	173
Fee and commission income	**60**	140
Fee and commission expense	**2**	4
Operating expenses	**42**	50

Balances outstanding as at the end of the reporting period

	30 June 2020	31 December 2019
Loans and advances to customers	**11,049**	3,474
Other assets	**871**	20
Financial liabilities measured at fair value through profit or loss	**69**	67
Deposits from customers	**4,340**	2,895
Other liabilities	**3,566**	743
Credit commitments	**34**	260

(3) Transactions between the Bank and its subsidiaries

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

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

Amounts

	Six months ended 30 June	
	2020	2019
Interest income	**1,039**	532
Interest expense	**727**	417
Fee and commission income	**1,434**	1,317
Fee and commission expense	**383**	522
Dividend income	**271**	160
Net loss arising from investment securities	**2**	52
Operating expenses	**1,942**	1,132
Other operating (expense)/income, net	**(8)**	16

Balances outstanding as at the end of the reporting period

	30 June 2020	31 December 2019
Deposits with banks and non-bank financial institutions	**628**	785
Placements with banks and non-bank financial institutions	**120,635**	109,493
Positive fair value of derivatives	**253**	137
Loans and advances to customers	**5,904**	3,490
Financial investments		
Financial assets measured at fair value through profit or loss	**707**	697
Financial assets measured at amortised cost	**1,078**	1,062
Financial assets measured at fair value through other comprehensive income	**18,609**	13,210
Other assets	**38,776**	39,227

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions (continued)

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

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

	30 June 2020	31 December 2019
Deposits from banks and non-bank financial institutions	**25,141**	22,675
Placements from banks and non-bank financial institutions	**38,632**	27,685
Financial liabilities measured at fair value through profit or loss	**108**	71
Negative fair value of derivatives	**269**	383
Financial assets sold under repurchase agreements	**–**	700
Deposits from customers	**7,859**	12,652
Debt securities issued	**202**	–
Other liabilities	**1,406**	2,328

As at 30 June 2020, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB20,781 million (as at 31 December 2019: RMB23,552 million).

As at 30 June 2020, the transactions between subsidiaries of the Group were mainly debt securities issued and financial assets measured at fair value through profit or loss, and the balances of the above transactions were RMB1,587 million and RMB1,411 million respectively (as at 31 December 2019, the transactions between subsidiaries of the Group were mainly debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB1,702 million and RMB1,691 million respectively).

(4) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the six months ended 30 June 2020 and for the year ended 31 December 2019.

As at 30 June 2020, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,937 million (as at 31 December 2019: RMB3,670 million), management fees payable to CCB Principal Asset Management and CCB Pension were RMB5.53 million (as at 31 December 2019: RMB19.52 million).

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior management. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2020 and for the year ended 31 December 2019, there were no material transactions and balances with key management personnel. As at 30 June 2020, the aggregate balance of loans and credit card overdraft to the persons who were considered as related parties according to the relevant rules of the Shanghai Stock Exchange was RMB11.32 million (as at 31 December 2019: RMB15.37 million).

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

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

56 Risk management

The Group has exposure to the following risks:

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

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

Risk management framework

The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The risk management committee under the Board is responsible for making risk management strategies, monitoring their implementation, and evaluating the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and communicates risk appetite through relevant policies. The board of supervisors oversees the building of the comprehensive risk management system, as well as the performance of the Board and the senior management in delivering their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategies adopted by the Board and organising the implementation of the comprehensive risk management activities across the Group.

Chief Risk Officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive risk management, and the market risk management department, its subordinate department, is in charge of the management of market risks. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of the banking book. Internal control & compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is in charge of reputational risk management. Strategy and policy coordination department is responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank places high priority on the risk management of subsidiaries, monitors their adherence to the risk appetite and conducts overall risk assessment of subsidiaries on a regular basis. It established a centralized reporting mechanism for risk management of subsidiaries, and pushes subsidiaries to continuously improve their corporate governance. The subsidiaries implemented the risk management requirements of the parent bank through their corporate governance mechanisms, established and improved their comprehensive risk management systems to enhance their compliance and risk management capabilities.

(1) Credit risk

Credit risk management

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

Credit business

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

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

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

56 Risk management (continued)

(1) Credit risk (continued)

Credit business (continued)

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A refined management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Treasury business

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in Notes (1)(i) and (1)(j) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECLs)

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: For financial assets with objective evidence of impairment at the end of the reporting period, lifetime expected credit losses are recognised.

(B) Significant increase in credit risk (SICR)

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on a quarterly basis. The Group sufficiently considers all reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, asset price, market interest rate, repayment behaviours, etc. The Group compares the risk of defaulted financial instruments as at the reporting date with that as at the date of initial recognition of an individual financial instrument or a group of financial instruments that shares the similar credit risk characteristics. The key factors are as follows: 1. The significant increase in probability of default (PD), for example, in principle, the internal credit rating of corporate loans and advances is 15 or below, and the internal credit rating of debt securities has dropped by 2 or more notches. 2. Other factors which cause significant increase in credit risk. Usually, it should be regarded as a significant increase in credit risk if the overdue days exceed 30 days.

For borrowers who obtained temporary deferral in principal repayment and interest payment, deferred repayment and other credit support measures in the wake of COVID-19, the Group did not consider these support measures as an automatic trigger of a significant increase in credit risk, by reference to the guidelines of the International Accounting Standards Board ("IASB") and other regulators.

The Group continued to make judgment based on substantive risks assessment and comprehensively considered the operations and repayment capacity of borrowers, as well as any changes in the impact of COVID-19 on these borrowers, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition.

(C) Definition of default and credit-impaired assets

The Group considers a financial instrument as default, when it is credit-impaired. Generally, overdue for more than 90 days on contractual payment terms is considered default.

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

– Significant financial difficulty of the borrower or issuer;

– Breach of contract terms, such as a default or delinquency in interest or principal payments;

– The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– Disappearance of an active market for financial assets because of financial difficulties;

56 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECLs) (continued)

(C) *Definition of default and credit-impaired assets (continued)*

– Purchase or originate a financial asset by a large margin discount which reflects the fact of credit-impairment's occurrence;

– Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;

– Other objective evidence indicating there is an impairment of the financial asset.

The Group's definition of default has been consistently applied to the modelling process of PD, LGD and EAD during the ECL calculation.

(D) *Measuring ECL – explanation of parameters, assumptions and estimation techniques*

The ECL is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the three scenarios of optimistic, baseline and pessimistic, defined as follows:

PD represents after consideration of forward-looking information the likelihood of a borrower defaulting on its financial obligation in the future. Please refer to the disclosure above in this note for the definition of default.

LGD represents after consideration of forward-looking information the Group's expectation on the ratio of extent of loss resulting from the default exposure.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL calculation is the effective interest rate.

During the reporting period, the Group has updated forward-looking information based on changes in the macroeconomic environment. Please refer to further disclosure in this note for forward-looking information which is incorporated in the calculation of expected credit losses.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how the collateral values change, are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

(E) *Forward-looking information incorporated in the ECLs*

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Group has performed historical data analysis and identified the key economic variables related to expected credit losses and made forward-looking adjustments, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB and so on.The Group set the predicted value for baseline scenario based on forecasts made by external authorities and internal departments, the predicted value in optimistic and pessimistic scenarios will fluctuate up and down on the basis of the predicted value in baseline scenario. The forecasts of macroeconomic variables in the variables pool are provided periodically by the Group. The Group constructs empirical models to obtain the relationship between historical macroeconomic variables and PD and LGD, and the PD and LGD in a given future horizon are projected based on the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings in optimistic, baseline and pessimistic. As at 30 June 2020 and 31 December 2019, the optimistic, baseline and pessimistic scenarios are of comparable weighting. Following this assessment, the Group measures ECLs as a weighted average probability of ECLs in the next 12 months under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECLs for Stage 2 and 3 financial instruments.

(F) *Grouping of financial instruments for losses measured on a collective basis*

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The Group uses credit rating, product types and client types, etc., for grouping the personal loans and advances to calculate the losses measured on a collective basis.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(a) *Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	30 June 2020	31 December 2019
Deposits with central banks	**2,404,338**	2,560,219
Deposits with banks and non-bank financial institutions	**834,777**	419,661
Placements with banks and non-bank financial institutions	**509,581**	531,146
Positive fair value of derivatives	**25,157**	34,641
Financial assets held under resale agreements	**452,258**	557,809
Loans and advances to customers	**15,927,785**	14,540,667
Financial investments		
Financial assets measured at fair value through profit or loss	**487,079**	496,653
Financial assets measured at amortised cost	**4,145,782**	3,740,296
Financial assets measured at fair value through other comprehensive income	**1,904,588**	1,791,553
Other financial assets	**244,732**	164,565
Total	**26,936,077**	24,837,210
Off-balance sheet credit commitments	**3,335,740**	3,085,807
Maximum credit risk exposure	**30,271,817**	27,923,017

(b) *Loans and advances to customers analysed by credit quality*

Within overdue but not credit impaired loans and advances and credit impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	30 June 2020		
	Overdue but not credit impaired loans and advances		**Credit impaired loans and advances**
	Corporate	**Personal**	**Corporate**
Portion covered	**4,073**	**21,878**	**76,225**
Portion not covered	**3,186**	**9,872**	**137,476**
Total	**7,259**	**31,750**	**213,701**

	31 December 2019		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,305	14,249	66,611
Portion not covered	2,218	9,330	118,504
Total	3,523	23,579	185,115

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

	30 June 2020			31 December 2019		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	**1,650,345**	**10.01%**	**523,447**	1,532,989	10.20%	520,042
– Manufacturing	**1,502,174**	**9.11%**	**371,538**	1,266,240	8.43%	319,672
– Leasing and commercial services	**1,362,985**	**8.27%**	**479,283**	1,137,429	7.57%	419,247
– Production and supply of electric power, heat, gas and water	**875,747**	**5.32%**	**193,071**	837,974	5.58%	198,857
– Real estate	**767,252**	**4.66%**	**402,763**	658,957	4.39%	345,101
– Wholesale and retail trade	**698,753**	**4.24%**	**326,167**	521,670	3.47%	245,607
– Water, environment and public utility management	**504,853**	**3.06%**	**235,151**	438,817	2.92%	215,848
– Construction	**419,340**	**2.55%**	**97,983**	337,375	2.25%	86,217
– Mining	**226,521**	**1.38%**	**15,320**	232,837	1.55%	18,925
– Agriculture, forestry, farming, fishing	**83,275**	**0.51%**	**16,812**	72,200	0.48%	16,092
– Education	**72,346**	**0.44%**	**16,227**	66,651	0.44%	14,397
– Public management, social securities and social organisation	**59,322**	**0.36%**	**4,967**	59,969	0.40%	4,770
– Others	**849,976**	**5.16%**	**198,463**	779,625	5.19%	186,851
Total corporate loans and advances	**9,072,889**	**55.07%**	**2,881,192**	7,942,733	52.87%	2,591,626
Personal loans and advances	**6,944,152**	**42.15%**	**5,803,392**	6,552,480	43.62%	5,515,937
Discounted bills	**413,419**	**2.51%**	**–**	492,693	3.28%	–
Accrued interest	**43,686**	**0.27%**	**–**	34,919	0.23%	–
Total loans and advances to customers	**16,474,146**	**100.00%**	**8,684,584**	15,022,825	100.00%	8,107,563

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of the total gross loans and advances to customers are as follows:

	30 June 2020				**Six months ended 30 June 2020**	
		Allowances for expected credit losses				
	Stage 3 Gross loans	**Stage 1**	**Stage 2**	**Stage 3**	**Charge for the period**	**Written off during the period**
Transportation, storage and postal services	**33,476**	**(30,548)**	**(15,050)**	**(25,745)**	**(12,602)**	**425**

	31 December 2019				2019	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation, storage and postal services	28,663	(28,436)	(11,075)	(20,105)	(25,268)	440

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

	30 June 2020			31 December 2019		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Central	**3,007,265**	**18.25%**	**1,828,419**	2,684,077	17.87%	1,681,971
Yangtze River Delta	**2,906,108**	**17.64%**	**1,732,219**	2,584,684	17.21%	1,593,754
Bohai Rim	**2,732,021**	**16.58%**	**1,296,387**	2,527,254	16.82%	1,226,117
Western	**2,649,068**	**16.08%**	**1,513,054**	2,480,840	16.51%	1,430,658
Pearl River Delta	**2,659,558**	**16.14%**	**1,773,230**	2,320,984	15.45%	1,626,994
Northeastern	**764,858**	**4.64%**	**369,436**	738,388	4.92%	361,023
Head office	**779,939**	**4.73%**	**–**	747,741	4.98%	–
Overseas	**931,643**	**5.67%**	**171,839**	903,938	6.01%	187,046
Accrued interest	**43,686**	**0.27%**	**–**	34,919	0.23%	–
Gross loans and advances to customers	**16,474,146**	**100.00%**	**8,684,584**	15,022,825	100.00%	8,107,563

Details of Stage 3 loans and expected credit losses in respect of geographical sectors as at the end of the reporting period are as follows:

	30 June 2020			
		Allowances for expected credit losses		
	Stage 3 Gross loan balance	**Stage 1**	**Stage 2**	**Stage 3**
Central	**62,049**	**(54,261)**	**(19,188)**	**(42,863)**
Bohai Rim	**40,473**	**(47,067)**	**(22,497)**	**(23,956)**
Western	**36,860**	**(50,179)**	**(19,332)**	**(24,215)**
Yangtze River Delta	**34,518**	**(53,178)**	**(18,630)**	**(18,743)**
Pearl River Delta	**32,117**	**(46,609)**	**(14,244)**	**(18,481)**
Northeastern	**24,261**	**(12,802)**	**(9,968)**	**(15,840)**
Head office	**9,445**	**(16,360)**	**(1,496)**	**(8,366)**
Overseas	**5,793**	**(4,001)**	**(1,284)**	**(2,801)**
Total	**245,516**	**(284,457)**	**(106,639)**	**(155,265)**

	31 December 2019			
		Allowances for expected credit losses		
	Stage 3 Gross loans balance	Stage 1	Stage 2	Stage 3
Central	46,289	(45,490)	(15,072)	(31,019)
Bohai Rim	43,954	(40,048)	(19,612)	(29,160)
Western	40,008	(45,034)	(14,822)	(30,225)
Yangtze River Delta	25,796	(43,980)	(18,604)	(17,829)
Pearl River Delta	24,914	(38,381)	(11,878)	(16,651)
Northeastern	20,384	(12,623)	(8,916)	(15,074)
Head office	8,185	(11,010)	(2,216)	(7,227)
Overseas	2,943	(3,461)	(1,760)	(2,066)
Total	212,473	(240,027)	(92,880)	(149,251)

The definitions of geographical segments are set out in Note 51(1). The above allowances for ECL do not include allowances for ECL of loans and advances measured at FVOCI.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by type of collateral

	30 June 2020	31 December 2019
Unsecured loans	5,573,746	4,959,932
Guaranteed loans	2,172,130	1,920,411
Loans secured by property and other immovable assets	7,320,982	6,875,286
Other pledged loans	1,363,602	1,232,277
Accrued interest	43,686	34,919
Gross loans and advances to customers	16,474,146	15,022,825

(f) Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The gross carrying amount of the Group's restructured loans and advances to customers were not significant as at 30 June 2020 and 31 December 2019.

(g) Credit exposure

Loans and advances to customers

	30 June 2020			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	15,647,806	32,564	–	15,680,370
Medium risk	–	491,609	–	491,609
High risk	–	–	245,516	245,516
Gross loans and advances	15,647,806	524,173	245,516	16,417,495
Allowances for impairment losses on loans and advances measured at amortised cost	(284,457)	(106,639)	(155,265)	(546,361)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(1,348)	(424)	(528)	(2,300)

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(g) *Credit exposure (continued)*

Loans and advances to customers (continued)

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	14,294,751	26,214	–	14,320,965
Medium risk	–	439,186	–	439,186
High risk	–	–	212,473	212,473
Gross loans and advances	14,294,751	465,400	212,473	14,972,624
Allowances for impairment losses on loans and advances measured at amortised cost	(240,027)	(92,880)	(149,251)	(482,158)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(958)	(94)	(570)	(1,622)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

Off-balance sheet business

	30 June 2020			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**3,288,300**	**–**	**–**	**3,288,300**
Medium risk	**–**	**40,196**	**–**	**40,196**
High risk	**–**	**–**	**7,244**	**7,244**
Total carrying amount	**3,288,300**	**40,196**	**7,244**	**3,335,740**
Allowance for impairment losses	**(27,805)**	**(4,015)**	**(4,865)**	**(36,685)**

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	3,019,124	–	–	3,019,124
Medium risk	–	56,814	–	56,814
High risk	–	–	9,869	9,869
Total carrying amount	3,019,124	56,814	9,869	3,085,807
Allowance for impairment losses	(24,773)	(4,401)	(6,305)	(35,479)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Financial investments

	30 June 2020			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**5,951,033**	**–**	**–**	**5,951,033**
Medium risk	**18,934**	**4,837**	**–**	**23,771**
High risk	**–**	**–**	**8,140**	**8,140**
Total carrying amount excluding accrued interest	**5,969,967**	**4,837**	**8,140**	**5,982,944**
Allowance for impairment losses on financial investments measured at amortised cost	**(10,804)**	**(479)**	**(4,185)**	**(15,468)**
Allowance for impairment losses on financial investments measured at fair value through other comprehensive income	**(3,677)**	**(31)**	**–**	**(3,708)**

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	5,435,395	–	–	5,435,395
Medium risk	22,310	634	–	22,944
High risk	–	637	7,774	8,411
Total carrying amount excluding accrued interest	5,457,705	1,271	7,774	5,466,750
Allowance for impairment losses on financial investments measured at amortised cost	(8,932)	(134)	(3,636)	(12,702)
Allowance for impairment losses on financial investments measured at fair value through other comprehensive income	(3,580)	–	–	(3,580)

The Group classifies financial investment risk characteristics based on asset entry and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to be defaulted; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, there are not enough reasons to suspect that the financial investment is expected to be defaulted; “High risk” means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(g) *Credit exposure (continued)*

Amounts due from banks and non-bank financial institutions

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	30 June 2020			
	Stage 1 12 months ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Low risk	1,789,373	–	–	1,789,373
Medium risk	169	–	–	169
High risk	–	–	–	–
Total carrying amount excluding accrued interest	1,789,542	–	–	1,789,542
Allowance for impairment losses	(1,075)	–	–	(1,075)

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	1,505,449	–	–	1,505,449
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	1,505,449	–	–	1,505,449
Allowance for impairment losses	(506)	–	–	(506)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	30 June 2020	31 December 2019
Credit impaired	–	–
Allowances for impairment losses	–	–
Subtotal	–	–
Neither overdue nor impaired		
– grades A to AAA	1,563,902	1,254,603
– grades B to BBB	2,595	20,384
– unrated	223,045	230,462
Accrued interest	8,149	3,673
Total	1,797,691	1,509,122
Allowances for impairment losses	(1,075)	(506)
Subtotal	1,796,616	1,508,616
Total	1,796,616	1,508,616

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2020					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	367	–	–	–	–	367
– Enterprises	6,363	–	–	–	1,955	8,318
Total	6,730	–	–	–	1,955	8,685
Allowances for impairment losses						(4,185)
Subtotal						4,500
Neither overdue nor impaired						
– Government	1,626,610	3,105,019	4,976	17,379	16,053	4,770,037
– Central banks	14,374	–	7,939	5,284	–	27,597
– Policy banks	772,769	–	–	24,297	–	797,066
– Banks and non-bank financial institutions	229,314	171,185	20,065	36,173	11,864	468,601
– Enterprises	97,298	322,681	36,639	17,280	7,033	480,931
Total	2,740,365	3,598,885	69,619	100,413	34,950	6,544,232
Allowances for impairment losses						(11,283)
Subtotal						6,532,949
Total						6,537,449

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(i) *Distribution of debt investments analysed by rating (continued)*

	31 December 2019					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	350	–	–	–	–	350
– Enterprises	6,010	–	–	–	1,901	7,911
Total	6,360	–	–	–	1,901	8,261
Allowances for impairment losses						(3,636)
Subtotal						4,625
Neither overdue nor impaired						
– Government	1,480,381	2,743,166	6,183	17,255	16,633	4,263,618
– Central banks	24,117	3,643	11,496	1,555	–	40,811
– Policy banks	746,166	5,301	2,217	26,873	–	780,557
– Banks and non-bank financial institutions	220,609	183,944	13,147	37,359	9,833	464,892
– Enterprises	96,967	299,767	55,165	26,402	4,764	483,065
Total	2,568,240	3,235,821	88,208	109,444	31,230	6,032,943
Allowances for impairment losses						(9,066)
Subtotal						6,023,877
Total						6,028,502

(j) *Credit risk arising from the Group's derivative exposures*

The majority of the Group's derivative transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk in respect of both domestic customers and overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(k) *Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(l) *Sensitivity analysis*

The allowance for impairment losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, and other factors considered when applying expert judgement. Changes in these inputs, assumptions, models, and judgements would have an impact on the assessment of significant increase in credit risk and the measurement of ECLs.

(i) *Sensitivity analysis of segmentation*

The allowance for credit losses of performing financial assets consists of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECLs which are twelve-month ECLs and lifetime ECLs, respectively. A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2. The following table presents the impact of ECLs from the second year to the end of the lifetime for financial assets in Stage 2.

	30 June 2020		
	12 months credit loss of all performing financial assets	**Impact of lifetime**	**Current ECL**
Performing loans	**376,987**	**14,109**	**391,096**
Performing financial investments	**14,493**	**498**	**14,991**

	31 December 2019		
	12 months credit loss of all performing financial assets	Impact of lifetime	Current ECL
Performing loans	320,003	12,904	332,907
Performing financial investments	12,515	131	12,646

(ii) *Sensitivity analysis of macroeconomic variables*

The Group has carried out sensitivity analysis of benchmark key economic variables such as GDP. As at 30 June 2020, when the key economic variables in the baseline scenario are up or down by 10%, the ECLs of financial assets will not change by more than 5% (as at 31 December 2019: not change by more than 5%).

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manage the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc., to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivative portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective periods is as follows:

		Six months ended 30 June 2020			
	Note	**As at 30 June**	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**271**	**251**	**317**	**207**
Of which:					
– Interest rate risk		**145**	**75**	**182**	**46**
– Foreign exchange risk	(i)	**257**	**254**	**298**	**214**
– Commodity risk		**6**	**8**	**39**	**3**

		Six months ended 30 June 2019			
	Note	As at 30 June	Average	Maximum	Minimum
VaR of trading portfolio		321	320	341	288
Of which:					
– Interest rate risk		103	99	117	75
– Foreign exchange risk	(i)	306	298	335	251
– Commodity risk		14	14	31	–

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

56 Risk management (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs are not added up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB70,134 million (as at 31 December 2019: RMB35,183 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB55,040 million (as at 31 December 2019: RMB77,716 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		30 June 2020					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		117,014	2,345,966	2,409	–	–	2,465,389
Deposits and placements with banks and non-bank financial institutions		–	1,013,991	305,480	24,885	2	1,344,358
Financial assets held under resale agreements		–	403,474	48,784	–	–	452,258
Loans and advances to customers	(i)	35,799	3,738,691	11,861,252	215,902	76,141	15,927,785
Investments	(ii)	219,650	493,063	757,756	2,679,232	2,600,544	6,750,245
Others		715,212	–	–	–	–	715,212
Total assets		1,087,675	7,995,185	12,975,681	2,920,019	2,676,687	27,655,247
Liabilities							
Borrowings from central banks		–	171,931	419,767	1,269	–	592,967
Deposits and placements from banks and non-bank financial institutions		–	1,796,188	345,335	77,175	8,754	2,227,452
Financial liabilities measured at fair value through profit or loss		17,278	267,732	127,568	–	–	412,578
Financial assets sold under repurchase agreements		–	119,594	3,930	1,374	–	124,898
Deposits from customers		110,192	13,789,094	2,705,136	3,785,798	11,942	20,402,162
Debt securities issued		–	360,950	285,239	266,277	1,397	913,863
Others		680,010	–	–	–	–	680,010
Total liabilities		807,480	16,505,489	3,886,975	4,131,893	22,093	25,353,930
Asset-liability gap		280,195	(8,510,304)	9,088,706	(1,211,874)	2,654,594	2,301,317

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

		31 December 2019					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		140,579	2,480,431	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions		–	786,464	156,770	7,566	7	950,807
Financial assets held under resale agreements		–	557,809	–	–	–	557,809
Loans and advances to customers	(i)	32,032	9,064,628	5,236,907	133,635	73,465	14,540,667
Investments	(ii)	198,917	446,844	741,615	2,706,502	2,130,716	6,224,594
Others		541,374	–	–	–	–	541,374
Total assets		912,902	13,336,176	6,135,292	2,847,703	2,204,188	25,436,261
Liabilities							
Borrowings from central banks		–	98,793	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions		–	1,732,057	433,752	20,269	8,173	2,194,251
Financial liabilities measured at fair value through profit or loss		16,750	174,019	90,828	–	–	281,597
Financial assets sold under repurchase agreements		–	111,111	1,480	2,067	–	114,658
Deposits from customers		104,332	12,540,537	2,438,017	3,274,102	9,305	18,366,293
Debt securities issued		–	375,884	435,756	263,561	1,374	1,076,575
Others		618,327	–	–	–	–	618,327
Total liabilities		739,409	15,032,401	3,849,859	3,560,613	18,852	23,201,134
Asset-liability gap		173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB29,688 million as at 30 June 2020 (as at 31 December 2019: RMB22,430 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		30 June 2020			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,228,547	140,277	96,565	2,465,389
Deposits and placements with banks and non-bank financial institutions		1,004,746	299,836	39,776	1,344,358
Financial assets held under resale agreements		442,960	6,282	3,016	452,258
Loans and advances to customers		14,866,523	620,700	440,562	15,927,785
Investments	(i)	6,473,513	192,422	84,310	6,750,245
Others		651,578	36,421	27,213	715,212
Total assets		25,667,867	1,295,938	691,442	27,655,247
Liabilities					
Borrowings from central banks		537,166	36,742	19,059	592,967
Deposits and placements from banks and non-bank financial institutions		1,782,990	313,932	130,530	2,227,452
Financial liabilities measured at fair value through profit or loss		389,645	21,038	1,895	412,578
Financial assets sold under repurchase agreements		107,893	6,559	10,446	124,898
Deposits from customers		19,479,916	593,938	328,308	20,402,162
Debt securities issued		547,037	282,235	84,591	913,863
Others		648,446	22,407	9,157	680,010
Total liabilities		23,493,093	1,276,851	583,986	25,353,930
Long position		2,174,774	19,087	107,456	2,301,317
Net notional amount of derivatives		(408,203)	446,112	(34,365)	3,544
Credit commitments		2,856,108	310,709	168,923	3,335,740

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2019			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,387,072	98,576	135,362	2,621,010
Deposits and placements with banks and non-bank financial institutions		551,576	282,453	116,778	950,807
Financial assets held under resale agreements		548,770	8,591	448	557,809
Loans and advances to customers		13,569,939	544,790	425,938	14,540,667
Investments	(i)	5,937,817	187,177	99,600	6,224,594
Others		447,504	60,323	33,547	541,374
Total assets		23,442,678	1,181,910	811,673	25,436,261
Liabilities					
Borrowings from central banks		494,047	27,704	27,682	549,433
Deposits and placements from banks and non-bank financial institutions		1,611,357	432,556	150,338	2,194,251
Financial liabilities measured at fair value through profit or loss		263,310	16,339	1,948	281,597
Financial assets sold under repurchase agreements		101,879	4,252	8,527	114,658
Deposits from customers		17,550,909	504,298	311,086	18,366,293
Debt securities issued		640,246	307,218	129,111	1,076,575
Others		594,429	13,183	10,715	618,327
Total liabilities		21,256,177	1,305,550	639,407	23,201,134
Long position		2,186,501	(123,640)	172,266	2,235,127
Net notional amount of derivatives		(241,245)	272,552	(26,584)	4,723
Credit commitments		2,578,126	340,934	166,747	3,085,807

(i) Please refer to Note 56(2)(c)(ii) for the scope of investments

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management, and authorises its special committees to discharge relevant duties, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as significant drop in liquidation of current assets, massive outflow of wholesale or retail deposits, decreasing access to wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and breakdown of the Bank's payment and settlement system. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(3) Liquidity risk (continued)

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	30 June 2020							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,154,269	307,772	144	950	2,254	–	–	2,465,389
Deposits and placements with banks and non-bank financial institutions	–	147,698	451,002	413,873	306,651	25,132	2	1,344,358
Financial assets held under resale agreements	–	–	372,675	30,799	48,784	–	–	452,258
Loans and advances to customers	94,334	777,321	492,059	674,799	3,523,589	3,767,195	6,598,488	15,927,785
Investments								
– Financial assets measured at fair value through profit or loss	190,879	21,270	48,303	75,393	135,074	101,698	108,933	681,550
– Financial assets measured at amortised cost	–	–	49,420	125,737	447,476	1,583,135	1,940,014	4,145,782
– Financial assets measured at fair value through other comprehensive income	6,481	–	47,316	74,959	180,804	1,049,153	552,356	1,911,069
– Long-term equity investments	11,844	–	–	–	–	–	–	11,844
Others	299,999	147,671	15,645	66,282	84,934	30,185	70,496	715,212
Total assets	2,757,806	1,401,732	1,476,564	1,462,792	4,729,566	6,556,498	9,270,289	27,655,247
Liabilities								
Borrowings from central banks	–	–	103,978	67,953	419,767	1,269	–	592,967
Deposits and placements from banks and non-bank financial institutions	–	1,404,284	227,287	128,792	349,535	103,016	14,538	2,227,452
Financial liabilities measured at fair value through profit or loss	–	17,278	138,520	129,212	127,568	–	–	412,578
Financial assets sold under repurchase agreements	–	–	114,833	4,761	3,930	1,374	–	124,898
Deposits from customers	–	11,375,052	1,236,026	920,511	2,839,444	4,018,505	12,624	20,402,162
Debt securities issued	–	–	90,181	208,521	305,499	308,265	1,397	913,863
Others	8,080	255,117	51,151	60,813	198,682	22,580	83,587	680,010
Total liabilities	8,080	13,051,731	1,961,976	1,520,563	4,244,425	4,455,009	112,146	25,353,930
Net gaps	2,749,726	(11,649,999)	(485,412)	(57,771)	485,141	2,101,489	9,158,143	2,301,317
Notional amount of derivatives								
– Interest rate contracts	–	–	54,248	112,273	291,651	227,024	21,183	706,379
– Exchange rate contracts	–	–	431,665	2,699,178	640,790	57,150	2,894	3,831,677
– Other contracts	–	–	27,173	36,833	77,823	2,313	–	144,142
Total	–	–	513,086	2,848,284	1,010,264	286,487	24,077	4,682,198

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2019							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,160,625	459,467	–	918	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions	–	107,976	494,082	178,400	158,868	11,474	7	950,807
Financial assets held under resale agreements	–	–	556,268	1,541	–	–	–	557,809
Loans and advances to customers	65,019	736,746	465,482	671,619	2,960,503	3,450,610	6,190,688	14,540,667
Investments								
– Financial assets measured at fair value through profit or loss	171,984	43,619	48,539	57,976	160,471	98,657	94,115	675,361
– Financial assets measured at amortised cost	–	–	41,285	83,481	395,356	1,703,305	1,516,869	3,740,296
– Financial assets measured at fair value through other comprehensive income	6,031	–	43,664	75,244	199,948	949,217	523,480	1,797,584
– Long-term equity investments	11,353	–	–	–	–	–	–	11,353
Others	292,931	84,349	10,194	35,032	33,431	18,635	66,802	541,374
Total assets	2,707,943	1,432,157	1,659,514	1,104,211	3,908,577	6,231,898	8,391,961	25,436,261
Liabilities								
Borrowings from central banks	–	–	77,689	21,104	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions	–	1,152,774	335,362	205,743	441,916	45,373	13,083	2,194,251
Financial liabilities measured at fair value through profit or loss	–	16,750	110,908	63,111	90,828	–	–	281,597
Financial assets sold under repurchase agreements	–	–	106,571	4,540	1,480	2,067	–	114,658
Deposits from customers	–	10,607,372	839,045	1,026,419	2,467,053	3,414,049	12,355	18,366,293
Debt securities issued	–	–	98,943	220,082	454,317	301,859	1,374	1,076,575
Others	7,921	224,194	53,369	46,777	186,296	21,952	77,818	618,327
Total liabilities	7,921	12,001,090	1,621,887	1,587,776	4,091,916	3,785,914	104,630	23,201,134
Net gaps	2,700,022	(10,568,933)	37,627	(483,565)	(183,339)	2,445,984	8,287,331	2,235,127
Notional amount of derivatives								
– Interest rate contracts	–	–	45,899	68,259	212,359	191,131	18,097	535,745
– Exchange rate contracts	–	–	876,973	724,591	2,014,465	108,229	2,748	3,727,006
– Other contracts	–	–	51,898	19,239	14,012	635	–	85,784
Total	–	–	974,770	812,089	2,240,836	299,995	20,845	4,348,535

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	30 June 2020							
	Carrying amount	**Gross cash outflow**	**Repayable on demand**	**Within one month**	**Between one and three months**	**Between three months and one year**	**Between one and five years**	**More than five years**
Non-derivative financial liabilities								
Borrowings from central banks	**592,967**	**599,999**	**–**	**104,338**	**68,701**	**425,691**	**1,269**	**–**
Deposits and placements from banks and non-bank financial institutions	**2,227,452**	**2,243,571**	**1,404,284**	**227,465**	**129,291**	**354,440**	**112,119**	**15,972**
Financial liabilities measured at fair value through profit or loss	**412,578**	**413,893**	**17,278**	**138,802**	**129,594**	**128,219**	**–**	**–**
Financial assets sold under repurchase agreements	**124,898**	**125,177**	**–**	**114,893**	**4,766**	**4,032**	**1,486**	**–**
Deposits from customers	**20,402,162**	**21,013,558**	**11,376,039**	**1,250,817**	**944,630**	**2,967,453**	**4,460,929**	**13,690**
Debt securities issued	**913,863**	**1,069,873**	**–**	**155,212**	**213,848**	**325,379**	**373,844**	**1,590**
Other non-derivative financial liabilities	**391,827**	**395,663**	**68,081**	**42,589**	**34,977**	**160,534**	**14,266**	**75,216**
Total	**25,065,747**	**25,861,734**	**12,865,682**	**2,034,116**	**1,525,807**	**4,365,748**	**4,963,913**	**106,468**
Off-balance sheet loan commitments and credit card commitments (Note)		**1,700,674**	**1,161,777**	**10,084**	**16,411**	**160,151**	**168,322**	**183,929**
Guarantees, acceptances and other credit commitments (Note)		**1,635,066**	**–**	**290,301**	**217,378**	**656,482**	**455,141**	**15,764**

	31 December 2019							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	549,433	560,382	–	77,946	21,243	460,579	614	–
Deposits and placements from banks and non-bank financial institutions	2,194,251	2,210,456	1,152,774	335,747	207,065	450,499	49,939	14,432
Financial liabilities measured at fair value through profit or loss	281,597	295,086	16,750	117,134	68,828	92,374	–	–
Financial assets sold under repurchase agreements	114,658	114,988	–	106,595	4,558	1,612	2,223	–
Deposits from customers	18,366,293	18,892,932	10,608,196	854,625	1,057,288	2,573,077	3,785,830	13,916
Debt securities issued	1,076,575	1,120,060	–	99,282	221,502	465,592	332,067	1,617
Other non-derivative financial liabilities	371,367	374,864	73,448	40,290	31,445	144,112	15,339	70,230
Total	22,954,174	23,568,768	11,851,168	1,631,619	1,611,929	4,187,845	4,186,012	100,195
Off-balance sheet loan commitments and credit card commitments (Note)		1,531,436	1,071,444	17,382	18,278	116,854	133,533	173,945
Guarantees, acceptances and other credit commitments (Note)		1,554,371	–	266,135	199,086	624,246	433,275	31,629

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

56 Risk management (continued)

(4) Operational risk

Operational risk refers to risk of losses resulting from inadequate or flawed internal processes, people and systems or from external events.

In the first half of 2020, the Group continuously applied operational risk management tools, enhanced operational risk management measures, strengthened the prevention and control of operational risk in key areas, and took multiple measures to reduce operational risk events and losses.

– Continuously promoted the application of operational risk management tools and enhanced the operational risk assessments for new products.

– Focused on the recording, analysis and reporting of events where the Group suffered losses from non-compliance.

– Revised the manual for managing incompatible duties, key position catalogue of job rotations and mandatory leave.

– Strengthened the construction of internal control and formulated business avoidance policy.

– Based on the emergency plan in response to COVID-19, organized emergency drills, and provided guidance on emergency response to overseas institutions for the purpose of business continuity.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the six months ended 30 June 2020, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2019.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

– Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	25,104	53	25,157
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	12,965	–	12,965
– Loans and advances to customers measured at fair value through other comprehensive income	–	413,419	–	413,419
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,941	196,192	–	198,133
– Equity instruments and funds	768	–	–	768
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	194	57	7,985	8,236
– Other debt instruments	–	150,152	45,210	195,362
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	–	3,882	3,882
– Debt securities	–	81,203	263	81,466
– Funds and others	26,208	53,884	113,611	193,703
Financial assets measured at fair value through other comprehensive income				
– Debt securities	138,996	1,765,592	–	1,904,588
– Equity instruments designated as measured at fair value through other comprehensive income	2,027	–	4,454	6,481
Total	170,134	2,698,568	175,458	3,044,160
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	410,771	1,807	412,578
Negative fair value of derivatives	–	38,683	53	38,736
Total	–	449,454	1,860	451,314

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	34,583	58	34,641
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	15,282	–	15,282
– Loans and advances to customers measured at fair value through other comprehensive income	–	492,693	–	492,693
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	2,059	227,887	–	229,946
– Equity instruments and funds	940	–	–	940
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	774	33	8,449	9,256
– Other debt instruments	–	131,814	50,555	182,369
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	1,519	4,642	6,161
– Debt securities	–	68,811	110	68,921
– Funds and others	30,695	45,027	102,046	177,768
Financial assets measured at fair value through other comprehensive income				
– Debt securities	182,323	1,609,230	–	1,791,553
– Equity instruments designated as measured at fair value through other comprehensive income	2,446	–	3,585	6,031
Total	219,237	2,626,879	169,445	3,015,561
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	279,749	1,848	281,597
Negative fair value of derivatives	–	33,724	58	33,782
Total	–	313,473	1,906	315,379

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 are the funds raised from principal guaranteed wealth management products and structured deposits, the fair value of which are determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets at fair value through profit or loss classified as level 3 are primarily the underlying assets of principal guaranteed wealth management products and unlisted equity investments. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

For the six months ended 30 June 2020 and for the year ended 31 December 2019, there were no significant transfers within the fair value hierarchy of the Group.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	Six months ended 30 June 2020										
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2020	58	8,449	50,555	4,642	110	102,046	3,585	169,445	(1,848)	(58)	(1,906)
Total gains or losses:											
In profit or loss	(5)	(512)	(25)	(189)	–	(537)	–	(1,268)	(10)	5	(5)
In other comprehensive income	–	–	–	–	–	–	36	36	–	–	–
Purchases	–	550	427	–	159	18,720	833	20,689	–	–	–
Sales and settlements	–	(502)	(5,747)	(571)	(6)	(6,618)	–	(13,444)	51	–	51
As at 30 June 2020	53	7,985	45,210	3,882	263	113,611	4,454	175,458	(1,807)	(53)	(1,860)

	2019										
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2019	35	14,314	84,640	1,253	187	43,961	1,402	145,792	(1,628)	(35)	(1,663)
Total gains or losses:											
In profit or loss	23	(1,821)	(119)	53	(27)	261	–	(1,630)	(44)	(23)	(67)
In other comprehensive income	–	–	–	–	–	–	144	144	–	–	–
Purchases	–	60	313	3,929	67	65,393	2,042	71,804	(359)	–	(359)
Sales and settlements	–	(4,104)	(34,279)	(593)	(117)	(7,569)	(3)	(46,665)	183	–	183
As at 31 December 2019	58	8,449	50,555	4,642	110	102,046	3,585	169,445	(1,848)	(58)	(1,906)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total (losses)/gains	122	(1,395)	(1,273)	1,091	389	1,480

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 30 June 2020 and 31 December 2019 which are not presented in the statement of financial position at their fair values.

	30 June 2020					31 December 2019				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**4,145,782**	**4,243,424**	**26,829**	**4,082,543**	**134,052**	3,740,296	3,815,857	51,585	3,619,569	144,703
Total	**4,145,782**	**4,243,424**	**26,829**	**4,082,543**	**134,052**	3,740,296	3,815,857	51,585	3,619,569	144,703

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 30 June 2020, the fair value of subordinated bonds and the eligible Tier 2 capital bonds was RMB243,918 million (As at 31 December 2019: RMB246,083 million) and the corresponding carrying value was RMB241,355 million (As at 31 December 2019: RMB237,593 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the level 2 of fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRSs.

As at 30 June 2020, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

56 Risk management (continued)

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholder's behaviour and decision.

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's "Capital Rules for Commercial Banks (Provisional)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	30 June 2020	31 December 2019
Common Equity Tier 1 ratio	(a)(b)(c)	**13.15%**	13.88%
Tier 1 ratio	(a)(b)(c)	**13.88%**	14.68%
Total capital ratio	(a)(b)(c)	**16.62%**	17.52%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,511**	134,511
– Surplus reserve		**249,178**	249,178
– General reserve		**314,272**	314,152
– Retained earnings		**1,173,172**	1,116,273
– Non-controlling interest recognised in Common Equity Tier 1 capital		**3,741**	3,535
– Others	(d)	**40,144**	32,573
Deductions for Common Equity Tier 1 capital			
– Goodwill	(e)	**2,534**	2,615
– Other intangible assets (excluding land use rights)	(e)	**3,770**	3,971
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		**(193)**	(239)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,910**	3,910
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**119,627**	119,627
– Non-controlling interest recognised in Additional Tier 1 capital		**89**	89
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**186,063**	201,653
– Provisions in Tier 2	(f)	**261,423**	226,102
– Non-controlling interest recognised in Tier 2 capital		**143**	141
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,155,008**	2,089,976
Tier 1 capital after regulatory adjustments	(g)	**2,274,724**	2,209,692
Total capital after regulatory adjustments	(g)	**2,722,353**	2,637,588
Risk-weighted assets	(h)	**16,383,555**	15,053,291

Notes:

(a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after regulatory adjustments by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after regulatory adjustments by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after regulatory adjustments by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (insurance companies excluded).

(d) As at 30 June 2020 and 31 December 2019, others include other comprehensive income (including foreign exchange reserve).

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Assets:		
Cash and deposits with central banks	**2,455,111**	2,609,597
Deposits with banks and non-bank financial institutions	**756,815**	368,495
Precious metals	**140,441**	46,169
Placements with banks and non-bank financial institutions	**564,041**	586,245
Positive fair value of derivatives	**23,034**	32,091
Financial assets held under resale agreements	**424,167**	551,985
Loans and advances to customers	**15,422,677**	14,052,500
Financial investments		
Financial assets measured at fair value through profit or loss	**428,979**	388,350
Financial assets measured at amortised cost	**4,061,228**	3,646,480
Financial assets measured at fair value through other comprehensive income	**1,826,635**	1,710,424
Long-term equity investments	**72,290**	69,290
Investments in consolidated structured entities	**107,583**	111,113
Fixed assets	**131,966**	138,898
Land use rights	**13,125**	13,400
Intangible assets	**3,356**	3,504
Deferred tax assets	**79,769**	68,597
Other assets	**276,939**	202,191
Total assets	**26,788,156**	24,599,329
Liabilities:		
Borrowings from central banks	**592,957**	549,339
Deposits from banks and non-bank financial institutions	**1,754,991**	1,658,501
Placements from banks and non-bank financial institutions	**377,399**	417,963
Financial liabilities measured at fair value through profit or loss	**410,735**	279,700
Negative fair value of derivatives	**36,799**	32,710
Financial assets sold under repurchase agreements	**101,420**	93,194
Deposits from customers	**20,037,609**	18,024,561
Accrued staff costs	**30,991**	34,584
Taxes payable	**45,564**	82,164
Provisions	**41,516**	40,334
Debt securities issued	**841,164**	1,001,304
Deferred tax liabilities	**60**	42
Other liabilities	**283,808**	217,263
Total liabilities	**24,555,013**	22,431,659

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank
(continued)

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference Shares	**79,636**	79,636
Perpetual Bonds	**39,991**	39,991
Capital reserve	**135,109**	135,109
Other comprehensive income	**40,864**	33,527
Surplus reserve	**249,178**	249,178
General reserve	**306,691**	306,686
Retained earnings	**1,131,663**	1,073,532
Total equity	**2,233,143**	2,167,670
Total liabilities and equity	**26,788,156**	24,599,329

Approved and authorised for issue by the Board of Directors on 28 August 2020.

Liu Guiping	**Kenneth Patrick Chung**	**Graeme Wheeler**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank
(continued)

	(Unaudited)								
		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2020	**250,011**	**79,636**	**39,991**	**135,109**	**33,527**	**249,178**	**306,686**	**1,073,532**	**2,167,670**
Movements during the period	**–**	**–**	**–**	**–**	**7,337**	**–**	**5**	**58,131**	**65,473**
(1) Total comprehensive income for the period	**–**	**–**	**–**	**–**	**7,337**	**–**	**–**	**138,140**	**145,477**
(2) Profit distribution									
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**(5)**	**–**
ii Dividends paid to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(80,004)**	**(80,004)**
As at 30 June 2020	**250,011**	**79,636**	**39,991**	**135,109**	**40,864**	**249,178**	**306,691**	**1,131,663**	**2,233,143**

	(Unaudited)							
	Share capital	Other equity instruments-preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2019	250,011	79,636	135,109	21,539	223,231	272,867	954,297	1,936,690
Movements during the period	–	–	–	1,221	–	32	71,311	72,564
(1) Total comprehensive income for the period	–	–	–	1,221	–	–	147,846	149,067
(2) Profit distribution								
i Appropriation to general reserve	–	–	–	–	–	32	(32)	–
ii Dividends paid to ordinary shareholders	–	–	–	–	–	–	(76,503)	(76,503)
As at 30 June 2019	250,011	79,636	135,109	22,760	223,231	272,899	1,025,608	2,009,254

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank
(continued)

	(Audited)								
		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2019	250,011	79,636	–	135,109	21,539	223,231	272,867	954,297	1,936,690
Movements during the year	–	–	39,991	–	11,988	25,947	33,819	119,235	230,980
(1) Total comprehensive income for the year	–	–	–	–	11,988	–	–	259,466	271,454
(2) Changes in share capital									
i Capital injection by other equity instruments holders	–	–	39,991	–	–	–	–	–	39,991
(3) Profit distribution									
i Appropriation to general reserve	–	–	–	–	–	25,947	–	(25,947)	–
ii Appropriation to surplus reserve	–	–	–	–	–	–	33,819	(33,819)	–
iii Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	(76,503)
iv Dividends paid to preference shareholders	–	–	–	–	–	–	–	(3,962)	(3,962)
As at 31 December 2019	250,011	79,636	39,991	135,109	33,527	249,178	306,686	1,073,532	2,167,670

58 Events after the reporting period

There are no significant events after the reporting period.

59 Comparative figures

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

60 Ultimate parent

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

(Expressed in millions of RMB, unless otherwise stated)

61 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2020 and have not been adopted in the financial statements.

Standards	Effective for annual periods beginning on or after
(1) Amendments to IFRS 3 "Reference to the Conceptual Framework"	1 January 2022
(2) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	1 January 2022
(3) Amendments to IAS 37 "Onerous Contracts – Costs of Fulfilling a Contract"	1 January 2022
(4) Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
(5) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1 January 2023
(6) IFRS 17 "Insurance Contracts"	1 January 2023
(7) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date has been deferred indefinitely

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IFRS 3 "Reference to the Conceptual Framework"

Amendments to IFRS 3 are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities, and clarify that contingent assets do not qualify for recognition at the acquisition date.

(2) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

Amendments to IAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(3) Amendments to IAS 37 "Onerous Contracts – Costs of Fulfilling a Contract"

Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". The costs that relate directly to a contract include both incremental costs (examples would be the costs of direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(4) Annual Improvements to IFRSs 2018-2020 Cycle

Annual Improvements to IFRSs 2018-2020 Cycle was issued in May 2020. Those amendments affect IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and IFRS 16 "Leases".

(5) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

61 Possible impact of amendments, new standards and interpretations issued but not yet effective (continued)

(6) IFRS 17 “Insurance Contracts”

IFRS 17 was issued in May 2017 as replacement for IFRS 4 “Insurance Contracts”. It requires a current measurement model where estimates are re-measured during each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

Amendments to IFRS 17 were issued in June 2020.

The Group is currently assessing the impact of IFRS 17 upon initial application.

(7) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The narrow-scope amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” clarify the accounting treatment for sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s investors in the associate or joint venture. The amendments apply prospectively.

The following information of the Group does not form part of the reviewed financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2020 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the six months ended 30 June 2020 or total equity as at 30 June 2020 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

2 Liquidity coverage ratio and net stable funding ratio

The liquidity coverage ratio equals to the high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the second quarter of 2020 was 142.66% and the net stable funding ratio was 126.40% as at the end of June 2020.

The following tables set the Group's liquidity coverage ratio for the second quarter of 2020.

S/N	(In millions of RMB, except percentages)	**Total Unweighted Value**	**Total Weighted Value**
High-Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)		4,581,133
Cash outflow			
2	Retail deposits and deposits from small business customers, of which:	9,043,664	770,657
3	Stable deposits	2,673,472	133,638
4	Less stable deposits	6,370,192	637,019
5	Unsecured wholesale funding, of which:	10,585,850	3,462,581
6	Operational deposits (excluding those generated from correspondent banking activates)	7,196,003	1,788,524
7	Non-operational deposits (all counterparties)	3,239,511	1,523,721
8	Unsecured debt	150,336	150,336
9	Secured funding		1,753
10	Additional requirements, of which:	1,782,749	200,674
11	Outflows related to derivative exposures and other collateral requirements	40,781	40,781
12	Outflows related to loss of funding on secured debt products	11,028	11,028
13	Credit and liquidity facilities	1,730,940	148,865
14	Other contractual funding obligations	111	–
15	Other contingent funding obligations	3,609,174	416,974
16	**Total Cash Outflows**		4,852,639
Cash inflow			
17	Secured lending (including reverse repos and securities borrowing)	501,137	498,067
18	Inflow from fully performing exposures	1,683,562	1,101,490
19	Other cash inflows	40,610	34,896
20	**Total Cash Inflows**	2,225,309	1,634,453
			Total Adjusted Value
21	**Total HQLA**		4,581,133
22	**Total Net Cash Outflows**		3,218,186
23	**Liquidity Coverage Ratio (%)**[1]		142.66

1. The above quarterly daily means represent simple arithmetic means of the values for 91 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

(Expressed in millions of RMB unless otherwise stated)

2 Liquidity coverage ratio and net stable funding ratio (continued)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

		30 June 2020					31 March 2020				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item											
1	Capital:	–	–	–	2,470,952	2,470,952	–	–	–	2,507,117	2,507,117
2	Regulatory capital	–	–	–	2,470,952	2,470,952	–	–	–	2,507,117	2,507,117
3	Other capital instrument	–	–	–	–	–	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,346,653	3,584,186	226,155	899,669	10,180,897	6,366,287	3,281,711	221,555	915,831	9,940,383
5	Stable deposits	2,782,266	13,293	3,101	4,190	2,662,917	2,824,847	11,924	2,307	3,064	2,700,187
6	Less stable deposits	3,564,387	3,570,893	223,054	895,479	7,517,980	3,541,440	3,269,787	219,248	912,767	7,240,196
7	Wholesale funding:	6,998,841	5,127,371	670,806	600,689	6,278,123	6,576,970	5,012,146	956,066	619,121	6,077,040
8	Operational deposits	5,658,086	1,458,803	10,328	457	3,564,065	5,217,557	1,406,275	13,543	460	3,319,147
9	Other wholesale funding	1,340,755	3,668,568	660,478	600,232	2,714,058	1,359,413	3,605,871	942,523	618,661	2,757,893
10	Liabilities with matching interdependent assets	–	7	–	–	–	–	7	–	–	–
11	Other liabilities:	–	451,335	108,568	170,015	183,255	–	283,055	69,674	300,625	291,799
12	NSFR derivative liabilities				41,044					43,662	
13	All other liabilities and equity not included in the above categories	–	451,335	108,568	128,971	183,255	–	283,055	69,674	256,963	291,799
14	**Total ASF**					19,113,227					18,816,339
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					1,326,715					1,378,379
16	Deposits held at other financial institutions for operational purposes	90,972	84,944	15,474	10,293	106,183	42,819	64,307	13,934	6,869	67,490
17	Performing loans and securities:	869,778	3,927,723	2,500,935	11,226,873	12,687,913	810,661	4,212,025	2,375,243	11,117,915	12,678,224
18	Performing loans to financial institutions secured by Level 1 HQLA	–	278,216	13,834	–	48,650	–	657,269	6,620	–	101,900
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	1,345,084	207,253	325,265	651,456	–	1,145,054	199,788	536,246	853,297
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	782,335	2,058,435	2,079,830	5,426,989	7,066,696	726,561	2,092,953	1,975,133	5,242,421	6,886,897
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	87,041	24,163	35,409	78,618	–	28,256	–	–	14,128
22	Performing residential mortgages, of which:	–	164,601	166,027	5,289,193	4,661,448	–	168,271	165,912	5,176,395	4,567,306
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	87,443	81,387	33,991	185,426	259,663	84,100	148,478	27,790	162,853	268,824
25	Assets with matching Interdependent liabilities	–	–	–	–	–	–	–	–	–	–
26	Other assets:	140,467	275,362	125,066	237,445	831,175	94,355	232,812	92,545	170,155	634,290
27	Physical traded commodities, including gold	140,467				119,397	94,355				80,201
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,715	1,458				1,588	1,350
29	NSFR derivative assets				19,069	–				28,753	–
30	NSFR derivative liabilities before deduction of variation margin posted[1]				8,239	8,239				8,760	8,760
31	All other assets not included in the above categories	–	275,362	125,066	216,662	614,640	–	232,812	92,545	139,814	459,879
32	Off-balance sheet items				4,880,118	169,192				4,639,564	165,491
33	**Total RSF**					15,121,178					14,923,874
34	**Net Stable Funding Ratio (%)**					126.40					126.08

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

2 Liquidity coverage ratio and net stable funding ratio (continued)

According to the regulatory requirements, definitions and accounting standards applicable in the current period, as at 30 June 2020, the Group's net stable funding ratio was 126.40%, from which the available stable funding was RMB19,113,227 million against the required stable funding of RMB15,121,178 million.

3 Leverage ratio

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the "Measures for the Management of Commercial Banks' Leverage Ratio (Revision)" promulgated by the CBRC in January 2015. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on-balance sheet and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As of 30 June 2020, the Group's leverage ratio was 7.84%, which met regulatory requirements.

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

(In millions of RMB, except percentages)	**As at 30 June 2020**	As at 31 March 2020	As at 31 December 2019	As at 30 September 2019
Leverage ratio	**7.84%**	8.14%	8.28%	8.27%
Tier 1 capital after regulatory adjustments	**2,274,724**	2,311,145	2,209,692	2,126,153
On and off-balance sheet assets after adjustments	**29,023,947**	28,404,807	26,694,733	25,720,002

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	**As at 30 June 2020**	As at 31 December 2019
Total on-balance sheet assets[1]	**27,655,247**	25,436,261
Consolidated adjustment[2]	**(195,968)**	(171,735)
Derivatives adjustment	**74,935**	58,591
Securities financing transactions adjustment	**1,275**	899
Off-balance sheet items adjustment[3]	**1,498,479**	1,380,975
Other adjustments[4]	**(10,021)**	(10,258)
On and off-balance sheet assets after adjustments	**29,023,947**	26,694,733

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

3 Leverage ratio (continued)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 30 June 2020	As at 31 December 2019
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	26,983,963	24,675,900
Less: Regulatory adjustments to Tier 1 capital	(10,021)	(10,258)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	26,973,942	24,665,642
Replacement costs of various derivatives (excluding eligible margin)	40,598	40,064
Potential risk exposures of various derivatives	59,228	52,930
Nominal principals arising from sales of credit derivatives	–	–
Derivative assets	99,826	92,994
Accounting assets arising from securities financing transactions	450,425	554,223
Counterparty credit risk exposure arising from securities financing transactions	1,275	899
Securities financing transactions assets	451,700	555,122
Off-balance sheet assets[2]	4,190,983	3,735,906
Less: Decrease in off-balance sheet assets due to credit conversion	(2,692,504)	(2,354,931)
Off-balance sheet assets after adjustments	1,498,479	1,380,975
Tier 1 capital after regulatory adjustments	2,274,724	2,209,692
On and off-balance sheet assets after adjustments	29,023,947	26,694,733
Leverage Ratio[3]	7.84%	8.28%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Off-balance sheet assets include loan commitments which can be unconditionally cancellable at any time by the bank without prior notice.
3. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

4 Currency concentrations

	30 June 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,271,006	346,427	421,096	2,038,529
Spot liabilities	(1,263,674)	(367,819)	(351,450)	(1,982,943)
Forward purchases	2,159,060	127,111	225,416	2,511,587
Forward sales	(2,083,262)	(60,984)	(274,956)	(2,419,202)
Net option position	(53,673)	–	–	(53,673)
Net long position	29,457	44,735	20,106	94,298
Net structural position	44,075	1,567	(15,216)	30,426

(Expressed in millions of RMB unless otherwise stated)

4 Currency concentrations (continued)

	31 December 2019			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,177,322	336,136	473,907	1,987,365
Spot liabilities	(1,280,135)	(388,492)	(324,861)	(1,993,488)
Forward purchases	2,126,358	174,874	185,347	2,486,579
Forward sales	(1,988,021)	(79,784)	(309,671)	(2,377,476)
Net option position	(14,714)	–	(10)	(14,724)
Net long position	20,810	42,734	24,712	88,256
Net structural position	41,583	1,487	(15,465)	27,605

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

5 International claims

The Group is principally engaged in business operations within Mainland China. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	30 June 2020				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**428,221**	**81,961**	**847,324**	**35,721**	**1,393,227**
– of which attributed to Hong Kong	**13,277**	**24,773**	**347,513**	**–**	**385,563**
Europe	**21,426**	**52,612**	**90,570**	**–**	**164,608**
North and South America	**36,524**	**139,687**	**157,939**	**–**	**334,150**
Total	**486,171**	**274,260**	**1,095,833**	**35,721**	**1,891,985**

	31 December 2019				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	428,976	65,572	703,741	28,957	1,227,246
– of which attributed to Hong Kong	41,970	8,987	337,889	–	388,846
Europe	32,647	63,025	67,410	101	163,183
North and South America	37,786	118,407	142,693	–	298,886
Total	499,409	247,004	913,844	29,058	1,689,315

(Expressed in millions of RMB unless otherwise stated)

6 Overdue loans and advances to customers by geographical sector

	30 June 2020	31 December 2019
Central	**37,071**	33,505
Western	**22,664**	26,066
Bohai Rim	**15,286**	14,309
Yangtze River Delta	**15,724**	16,404
Pearl River Delta	**14,304**	13,071
Northeastern	**11,091**	11,669
Head office	**9,130**	7,505
Overseas	**2,982**	1,787
Total	**128,252**	124,316

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

7 Exposures to non-banks in Mainland China

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 30 June 2020, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

Appendix Supplementary Information to Capital Adequacy Ratios

The following information is disclosed in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC.

Credit risk exposures

The following table shows, as at the dates indicated, the information related to the credit exposures of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

	As at 30 June 2020		As at 31 December 2019	
(In millions of RMB)	**Covered by internal ratings-based approach**	**Uncovered by internal ratings-based approach[1]**	Covered by internal ratings-based approach	Uncovered by internal ratings-based approach[1]
On and off-balance sheet credit exposures	**17,793,536**	**12,029,472**	13,468,584	13,849,167
Corporate exposures	**8,519,006**	**1,904,803**	7,105,037	2,153,528
Sovereign exposures	**–**	**5,131,777**	–	4,636,660
Financial institution exposures	**2,625,135**	**1,191,018**	–	3,293,694
Retail exposures	**6,649,395**	**785,917**	6,363,547	649,317
Equity exposures	**–**	**101,197**	–	94,578
Securitisation exposures	**–**	**74,418**	–	70,203
Other exposures	**–**	**2,840,342**	–	2,951,187
Counterparty credit risk exposure	**–**	**135,781**	–	139,859
Total	**17,793,536**	**12,165,253**	13,468,584	13,989,026

1. Due to categorisation under the internal ratings-based approach, the credit risk exposures uncovered by the internal ratings-based approach are exposures before impairments.

Market risk capital requirements

The Group's market risk capital requirements are calculated with the internal models approach. Requirements uncovered by the internal models approach are calculated with the standardised approach.

The following table shows, as at the dates indicated, the information related to various market risk capital requirements.

(In millions of RMB)	**As at June 2020 Capital requirement**	As at 31 December 2019 Capital requirement
Covered by internal models approach	**5,745**	5,961
Uncovered by the internal models approach	**4,320**	3,935
Interest rate risk	**1,467**	1,187
Equity position risk	**204**	187
Foreign exchange risk	**2,478**	2,561
Commodity risk	**171**	–
Option risk	**–**	–
Total	**10,065**	9,896

The Group measures market risk with value-at-risk (VaR) model. The VaR model is an approach to estimate potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices within a specific timeframe and a fixed confidence level. The Group calculates VaR and stressed VaR and conducts back-testing in compliance with the regulatory requirements. As of the reporting period, the number of back-testing breakthroughs occurred within the green zone according to the requirements of the CBIRC, and no abnormal model was identified.

The following table shows the VaR and stressed VaR of the Group covered by the internal models approach for the six months ended 30 June 2020.

	Six months ended 30 June 2020			
(In millions of RMB)	**Average**	**Maximum**	**Minimum**	**At the end of the period**
VaR	**729**	**923**	**598**	**859**
Stressed VaR	**992**	**1,264**	**741**	**1,012**

Equity exposures in the banking book

The following table shows, as at the dates indicated, the information related to the equity exposures in the banking book and the unrealised potential risk gains or losses of the Group.

	As at 30 June 2020			As at 31 December 2019		
(In millions of RMB) **Invested institution categories**	**Publicly traded equity exposure[1]**	**Non-Publicly traded equity exposure[1]**	**Unrealised potential risk gains or losses[2]**	Publicly traded equity exposure[1]	Non-Publicly traded equity exposure[1]	Unrealised potential risk gains or losses[2]
Financial institutions	**2,733**	**4,447**	**896**	2,659	4,234	1,330
Non-financial institutions	**5,339**	**88,656**	**(38)**	3,563	84,095	(65)
Total	**8,072**	**93,103**	**858**	6,222	88,329	1,265

1. Publicly traded equity exposure is the equity exposure where the invested institutions are listed companies. Non-publicly traded equity exposure is the equity exposure where the invested institutions are unlisted companies.

2. Unrealised potential risk gains or losses are the portion of gains or losses that have been recognised in the balance sheet but not in the income statement.

The following information is disclosed in accordance with *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the CBRC.

Composition of capital

In accordance with the Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks issued by the CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets under the scope of regulatory consolidation.

(In millions of RMB, except percentages)		Code	As at 30 June 2020	As at 31 December 2019
Common Equity Tier 1 capital:				
1	Qualifying common share capital	o	**250,011**	250,011
2	Retained earnings		**1,736,622**	1,679,603
2a	Surplus reserve	t	**249,178**	249,178
2b	General reserve	u	**314,272**	314,152
2c	Undistributed profits	v	**1,173,172**	1,116,273
3	Accumulated other comprehensive income and disclosed reserves		**174,655**	167,084
3a	Capital reserve	q	**134,511**	134,511
3b	Others	r	**40,144**	32,573
4	Amount recognised in Common Equity Tier 1 capital during transition period (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0")		**–**	–
5	Non-controlling interest given recognition in Common Equity Tier 1 capital	w	**3,741**	3,535
6	**Common Equity Tier 1 capital before regulatory adjustments**		**2,165,029**	2,100,233
Common Equity Tier 1 capital: Regulatory adjustments				
7	Prudent valuation adjustment		**–**	–
8	Goodwill (excluding deferred tax liabilities)	1	**2,534**	2,615
9	Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)	k	**3,770**	3,971
10	Net deferred tax assets relying on future profits and arising from operating losses		**–**	–
11	Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	s	**(193)**	(239)
12	Gaps of loan loss provisions		**–**	–
13	Gains from sales of asset securitisation		**–**	–
14	Unrealised profit/loss arising from the changes in own credit risk on fair values of liability		**–**	–
15	Net defined-benefit pension assets (excluding deferred tax liabilities)		**–**	–
16	Directly or indirectly investments in own shares		**–**	–
17	Reciprocal cross-holdings in Common Equity Tier 1 capital		**–**	–
18	Non-significant investments in Common Equity Tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
19	Significant investments in Common Equity Tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
20	Mortgage-servicing rights		**N/A**	N/A
21	Other deferred tax assets relying on the Bank's future profitability (amount above 10% threshold)		**–**	–
22	Significant investments in the capital of financial institutions outside the regulatory scope of consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustments (amount exceeding the 15% threshold)		**–**	–
23	of which: Significant investments in the capital of financial institutions		**–**	–
24	of which: Mortgage-servicing rights		**N/A**	N/A
25	of which: Other deferred tax assets that rely on the Bank's future profitability		**–**	–
26a	Investments in common equity of financial institutions being controlled but outside the regulatory scope of consolidation	h	**3,910**	3,910
26b	Gaps of common equity of financial institutions being controlled but outside the regulatory scope of consolidation		**–**	–
26c	Total regulatory adjustments to Common Equity Tier 1 capital		**–**	–
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		**–**	–
28	**Total regulatory adjustments in Common Equity Tier 1 capital**		**10,021**	10,257
29	**Common Equity Tier 1 capital after regulatory adjustments**		**2,155,008**	2,089,976
Additional Tier 1 capital:				
30	Other directly issued qualifying Additional Tier 1 instruments including related premium	p+z	**119,627**	119,627
31	of which: Classified as equity	p+z	**119,627**	119,627
32	of which: Classified as liabilities		**–**	–
33	of which: Instruments not recognised in Additional Tier 1 capital after the transition period		**–**	–
34	Non-controlling interest given recognition in Additional Tier 1 capital	x	**89**	89
35	of which: Portions not recognised in Additional Tier 1 capital after the transition period		**–**	–
36	**Additional Tier 1 capital before regulatory adjustments**		**119,716**	119,716
Additional Tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own Additional Tier 1 capital instruments		**–**	–
38	Reciprocal cross-holdings in Additional Tier 1 capital instruments		**–**	–
39	Non-significant investments in the Additional Tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–
40	Significant investments in the Additional Tier 1 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		**–**	–

	(In millions of RMB, except percentages)	Code	As at 30 June 2020	As at 31 December 2019
41a	Investments in Additional Tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		–	–
41b	Gaps of Additional Tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation		–	–
41c	Other deductions from Additional Tier 1 capital		–	–
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		–	–
43	**Total regulatory adjustments to Additional Tier 1 capital**		–	–
44	**Additional Tier 1 capital after regulatory adjustments**		**119,716**	119,716
45	**Tier 1 capital after regulatory adjustments (Common Equity Tier 1 capital after regulatory adjustments + Additional Tier 1 capital after regulatory adjustments)**		**2,274,724**	2,209,692
Tier 2 capital:				
46	Directly issued qualifying Tier 2 capital instruments including related premium	n	**186,063**	201,653
47	of which: Portions not recognised in Tier 2 capital after the transition period		**31,966**	47,950
48	Non-controlling interest given recognition in Tier 2 capital	y	**143**	141
49	of which: Portions not recognised after the transition period		–	–
50	Provisions in Tier 2	–(b+d)	**261,423**	226,102
51	**Tier 2 capital before regulatory adjustments**		**447,629**	427,896
Tier 2 capital: regulatory adjustments				
52	Direct or indirect investments in the Bank's Tier 2 capital instruments		–	–
53	Reciprocal cross-holdings in Tier 2 capital instruments		–	–
54	Non-significant investments in the Tier 2 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		–	–
55	Significant investments in the Tier 2 capital of financial institutions outside the scope of regulatory consolidation (amount above 10% threshold)		–	–
56a	Investments in Tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		–	–
56b	Gaps of Tier 2 capital of financial institutions being controlled but outside the scope of regulatory consolidation		–	–
56c	Other deductions from Tier 2 capital		–	–
57	**Total regulatory adjustments in Tier 2 capital**		–	–
58	**Tier 2 capital after regulatory adjustments**		**447,629**	427,896
59	**Total capital after regulatory adjustments (Tier 1 capital after regulatory adjustments +Tier 2 capital after regulatory adjustments)**		**2,722,353**	2,637,588
60	**Total risk-weighted assets**		**16,383,555**	15,053,291
Capital adequacy ratio and reserve capital requirements				
61	**Common Equity Tier 1 ratio**		**13.15%**	13.88%
62	**Tier 1 ratio**		**13.88%**	14.68%
63	**Total capital ratio**		**16.62%**	17.52%
64	Specific buffer requirements of regulators		**3.50%**	3.50%
65	of which: Capital conservation buffer requirements		**2.50%**	2.50%
66	of which: Countercyclical buffer requirements		**0.00%**	0.00%
67	of which: Additional buffer requirements of Global Systemically Important Banks		**1.00%**	1.00%
68	Common Equity Tier 1 capital available to meet buffers as a percentage of risk-weighted assets		**8.15%**	8.88%
Domestic minimum regulatory capital requirements				
69	Common Equity Tier 1 ratio		**5.00%**	5.00%
70	Tier 1 ratio		**6.00%**	6.00%
71	Total capital ratio		**8.00%**	8.00%
Amounts below the threshold deductions				
72	Non-significant investments in the capital of other financial institutions outside the scope of regulatory consolidation	e+f+g+i	**87,903**	75,316
73	Significant investments in the capital of other financial institutions outside the scope of regulatory consolidation	j	–	–
74	Mortgage-servicing rights (net of deferred tax liabilities)		**N/A**	N/A
75	Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	m	**82,527**	70,945
Limit of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to regulatory weighting approach (prior to the application of cap)	–a	**17,642**	26,613
77	Provisions eligible for inclusion in Tier 2 capital under regulatory weighting approach	–b	**17,642**	26,613
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	–c	**287,515**	242,334
79	Provisions eligible for inclusion in Tier 2 capital under internal rating-based approach	–d	**243,781**	199,489
Capital instruments subject to phase-out arrangements				
80	Amount recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		–	–
81	Amount not recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		–	–
82	Amount recognised in current-period Additional Tier 1 capital due to transitional arrangements		–	–
83	Amount not recognised in current-period Additional Tier 1 capital due to transitional arrangements		–	–
84	Amount recognised in current-period Tier 2 capital due to transitional arrangements		**31,966**	47,950
85	Amount not recognised in current-period Tier 2 capital due to transitional arrangements		**48,013**	32,024

The following table shows the balance sheet of the accounting and regulatory consolidation.

(In millions of RMB)	As at 30 June 2020	
	Balance sheet of the accounting consolidation	**Balance sheet of the regulatory consolidation**
Assets		
Cash and deposits with central banks	**2,465,389**	**2,465,202**
Deposits with banks and non-bank financial institutions	**834,777**	**802,746**
Precious metals	**140,441**	**140,441**
Placements with banks and non-bank financial institutions	**509,581**	**510,093**
Positive fair value of derivatives	**25,157**	**24,891**
Financial assets held under resale agreements	**452,258**	**450,425**
Loans and advances to customers	**15,927,785**	**15,962,583**
Financial assets measured at fair value through profit or loss	**681,550**	**600,621**
Financial assets measured at amortised cost	**4,145,782**	**4,049,593**
Financial assets measured at fair value through other comprehensive income	**1,911,069**	**1,892,508**
Long-term equity investments	**11,844**	**12,149**
Fixed assets	**167,014**	**165,271**
Land use rights	**14,472**	**13,583**
Intangible assets	**4,373**	**3,770**
Goodwill	**2,729**	**2,534**
Deferred tax assets	**83,400**	**82,527**
Other assets	**277,626**	**280,342**
Total assets	**27,655,247**	**27,459,279**
Liabilities		
Borrowings from central banks	**592,967**	**592,967**
Deposits from banks and non-bank financial institutions	**1,757,711**	**1,771,441**
Placements from banks and non-bank financial institutions	**469,741**	**473,958**
Financial liabilities measured at fair value through profit or loss	**412,578**	**412,578**
Negative fair value of derivatives	**38,736**	**38,448**
Financial assets sold under repurchase agreements	**124,898**	**109,713**
Deposits from customers	**20,402,162**	**20,406,854**
Accrued staff costs	**35,248**	**33,043**
Taxes payable	**48,953**	**48,708**
Provisions	**44,216**	**44,214**
Debt securities issued	**913,863**	**896,134**
Deferred tax liabilities	**549**	**198**
Other liabilities	**512,308**	**339,084**
Total liabilities	**25,353,930**	**25,167,340**
Equity		
Share capital	**250,011**	**250,011**
Other equity instruments – preference shares	**79,636**	**79,636**
Other equity instruments – perpetual bonds	**39,991**	**39,991**
Capital reserve	**134,537**	**134,511**
Other comprehensive income	**39,173**	**40,144**
Surplus reserve	**249,178**	**249,178**
General reserve	**314,521**	**314,272**
Retained earnings	**1,174,019**	**1,173,172**
Total equity attributable to equity shareholders of the Bank	**2,281,066**	**2,280,915**
Non-controlling interests	**20,251**	**11,024**
Total equity	**2,301,317**	**2,291,939**

The following table shows the information related to the expanded balance sheet under regulatory scope of consolidation, as well as its connections with the Composition of capital.

(In millions of RMB)	As at 30 June 2020 Balance sheet of the regulatory consolidation	Code
Assets		
Cash and deposits with central banks	2,465,202	
Deposits with banks and non-bank financial institutions	802,746	
Precious metals	140,441	
Placements with banks and non-bank financial institutions	510,093	
Positive fair value of derivatives	24,891	
Financial assets held under resale agreements	450,425	
Loans and advances to customers	15,962,583	
of which: Provisions eligible actually accrued under regulatory weighting approach	(17,642)	a
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under regulatory weighting approach	(17,642)	b
of which: Provisions eligible actually accrued under internal ratings-based approach	(287,515)	c
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under internal ratings-based approach	(243,781)	d
Financial assets measured at fair value through profit or loss	600,621	
of which: Non-significant investments in the capital of other financial institutions outside the scope of regulatory consolidation	81,738	e
Financial assets measured at amortised cost	4,049,593	
of which: Non-significant investments in the capital of other financial institutions outside the scope of regulatory consolidation	796	f
Financial assets measured at fair value through other comprehensive income	1,892,508	
of which: Non-significant investments in the capital of other financial institutions outside the scope of regulatory consolidation	4,977	g
Long-term equity investments	12,149	
of which: Investments in the Common Equity Tier 1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,910	h
of which: Non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	392	i
of which: Significant investments in the capital of financial institutions outside the scope of regulatory consolidation	–	j
Fixed assets	165,271	
Land use rights	13,583	
Intangible assets	3,770	k
Goodwill	2,534	l
Deferred tax assets	82,527	m
Other assets	280,342	
Total assets	27,459,279	
Liabilities		
Borrowings from central banks	592,967	
Deposits from banks and non-bank financial institutions	1,771,441	
Placements from banks and non-bank financial institutions	473,958	
Financial liabilities measured at fair value through profit or loss	412,578	
Negative fair value of derivatives	38,448	
Financial assets sold under repurchase agreements	109,713	
Deposits from customers	20,406,854	
Accrued staff costs	33,043	
Taxes payable	48,708	
Provisions	44,214	
Debt securities issued	896,134	
of which: Tier 2 capital instruments including related premium[1]	186,063	n
Deferred tax liabilities	198	
Other liabilities	339,084	
Total liabilities	25,167,340	

(In millions of RMB)	As at 30 June 2020 Balance sheet of the regulatory consolidation	Code
Equity		
Share capital	**250,011**	o
Other equity instruments – preference shares	**79,636**	p
Other equity instruments – perpetual bonds	**39,991**	z
Capital reserve	**134,511**	q
Other comprehensive income	**40,144**	r
of which: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	**(193)**	s
Surplus reserve	**249,178**	t
General reserve	**314,272**	u
Retained earnings	**1,173,172**	v
Total equity attributable to equity shareholders of the Bank	**2,280,915**	
Non-controlling interests	**11,024**	
of which: Non-controlling interests recognised in Common Equity Tier 1 capital	**3,741**	w
of which: Non-controlling interests recognised in Additional Tier 1 capital	**89**	x
of which: Non-controlling interests recognised in Tier 2 capital[1]	**143**	y
Total equity	**2,291,939**	

1. Pursuant to regulatory requirements, Tier 2 capital instruments issued by the Group's wholly-owned subsidiaries that don't comply with domestic regulations are not recognised in the Group's Tier 2 capital instruments including related premium, which is different from the accounting treatment of such instruments.

Main features of eligible regulatory capital instruments

The following table shows the information related to main features of various kinds of eligible regulatory capital instruments issued by the Group.

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB	CCB
2	Identifier code	0939.HK	601939.SH	0939.HK, 601939.SH	ISIN: CND100007Z10	4606.HK	ISIN: CND1000099M8
3	Governing law(s)	Hong Kong SAR law	Chinese law	Chinese/Hong Kong SAR law	Chinese law	Offshore preference shares and rights and obligations attached apply to the Chinese law and are interpreted according to the Chinese law	Chinese law
	Regulatory treatment						
4	of which: Transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
5	of which: Post-transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
6	of which: Eligible at the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Equity instrument	Equity instrument	Equity instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	72,550	57,119	61,159	19,990	19,659	23,998
9	Par value of instrument	RMB30,459 million	RMB9,000 million	RMB16,322 million	RMB20,000 million	US$3,050 million	RMB24,000 million
10	Accounting classification	Share capital and capital reserve	Share capital and capital reserve	Share capital and capital reserve	Debt securities issued	Other equity instruments	Debt securities issued
11	Original date of issuance	27 October 2005	25 September 2007	19 November 2010, 16 December 2010	18 August 2014	16 December 2015	21 December 2015
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Perpetual	Dated
13	of which: Original maturity date	No maturity	No maturity	No maturity	18 August 2029	No maturity	21 December 2025
14	Issuer call subject to regulatory approval	No	No	No	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	18 August 2024, all redeemed	The first call date is 16 December 2020, all or partial redeemed	21 December 2020, all redeemed
16	of which: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	Every 16 December after the first call date	N/A
	Coupons/dividends						
17	of which: Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed	Adjustable dividend rate (benchmark rate plus the fixed interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.	Fixed
18	of which: Coupon rate and any related index	N/A	N/A	N/A	5.98%	The dividend yield fixed at 4.65% for the first five years, is reset based on the five-year U.S. government bond rate plus the fixed interest spread (2.974%) at the dividend reset date for the consecutive five years, and the dividend yield during each reset period remains unchanged (the first dividend yield reset date is 16 December 2020 and the subsequent reset date is 16 December of every 5 years thereafter).	4%
19	of which: Existence of dividend brake mechanism	N/A	N/A	N/A	No	Yes	No
20	of which: Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Fully discretionary	Mandatory
21	of which: Existence of redemption incentive mechanism	No	No	No	No	No	No
22	of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	N/A	N/A	No	Yes	No

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument
24	of which: If convertible, specify the trigger condition for conversion	N/A	N/A	N/A	N/A	Occurrence of Additional Tier 1 capital instruments trigger event or Tier 2 capital instruments trigger event.	N/A
25	of which: If convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	Fully or partially convertible upon the occurrence of Additional Tier 1 capital instruments triggers, and fully convertible for upon the occurrence of Tier 2 capital instruments triggers.	N/A
26	of which: If convertible, specify conversion rate	N/A	N/A	N/A	N/A	The initial conversion price is the average trading price of H shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the preference shares (namely HKD5.98 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, in the event of any distribution of bonus shares or stock dividends for H ordinary shareholders, conversion from capital reserve, issuance of new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and rights issue after the plan on the preference share issuance is approved by the Board of Directors, the Bank will accumulatively adjust the conversion price in sequence for the matters above. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the forced conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders	N/A

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument
27	of which: If convertible, specify if it is mandatory or optional conversion	N/A	N/A	N/A	N/A	Yes	N/A
28	of which: If convertible, specify instrument type after conversion	N/A	N/A	N/A	N/A	Common Equity Tier 1 capital	N/A
29	of which: If convertible, specify issuer of instrument after conversion	N/A	N/A	N/A	N/A	CCB	N/A
30	Write-down feature	N/A	N/A	N/A	Yes	No	Yes
31	of which: If write-down, specify the trigger point of write-down	N/A	N/A	N/A	Write-down is triggered at the earlier of followings: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	N/A	Write-down is triggered at the earlier of followings: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.
32	of which: If write-down, specify if it is full or partial	N/A	N/A	N/A	Partial or full	N/A	Partial or full
33	of which: If write-down, specify if it is permanent or temporary	N/A	N/A	N/A	Permanent	N/A	Permanent
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument types with higher priority rankings)	The lowest priority of all claims	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the depositor and general creditor, the same priority with Tier 2 capital instruments ranking pari passu.	The lower priority behind all depositors, general creditors, and Tier 2 capital instruments issued, and the capital instruments prior to preference shares, the same priority with Additional Tier 1 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with Tier 2 capital instruments ranking pari passu.
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A	N/A

No.	Main features of eligible regulatory capital instruments	Preference shares	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Open-ended capital bonds	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB	CCB
2	Identifier code	360030.SH	ISIN: CND10001PYK4	ISIN: CND10001QQJ0	ISIN: XS1936784161	ISIN: CND10002HVY6	ISIN: XS2140531950
3	Governing law(s)	Chinese law	Chinese law	Chinese law	British law (Subordinated tranches subject to Chinese laws and regulations)	Chinese law	British law (Subordinated tranches subject to Chinese laws and regulations)
	Regulatory treatment						
4	of which: Transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
5	of which: Post-transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
6	of which: Eligible at the Bank/ Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Additional Tier 1 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	59,977	42,996	39,996	13,026	39,991	14,091
9	Par value of instrument	RMB60,000 million	RMB43,000 million	RMB40,000 million	US$1,850 million	RMB40,000 million	US$2,000 million
10	Accounting classification	Other equity instruments	Debt securities issued	Debt securities issued	Debt securities issued	Other equity instruments	Debt securities issued
11	Original date of issuance	26 December 2017	25 September 2018	29 October 2018	27 February 2019	15 November 2019	24 June 2020
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Perpetual	Dated
13	of which: Original maturity date	No maturity	25 September 2028	29 October 2028	27 February 2029	No maturity	24 June 2030
14	Issuer call subject to regulatory approval	Yes	Yes	Yes	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	All or partial redeemed at least 5 years after the closing date of issuance (i.e. 27 December 2017)	25 September 2023, all redeemed	29 October 2023, all redeemed	27 February 2024, all redeemed	The first call date is 15 November 2024, all or partial redeemed	24 June 2025, all redeemed
16	of which: Subsequent call dates, if applicable	From the first day of the redemption to the day when all shares are redeemed or converted.	N/A	N/A	N/A	Every 15 November after the first call date	N/A
	Coupons/dividends						
17	of which: Fixed or floating dividend/coupon	Adjustable dividend rate (benchmark rate plus the initial fixed interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.	Fixed	Fixed	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date (i.e., the five-year U.S. government bond benchmark rate plus the initial fixed interest spread at the coupon reset date of the fifth year) for the five years thereafter.	Adjustable coupon rate (benchmark rate plus the initial fixed interest spread) by stages is adopted, coupon rate is adjustable every five years, and the coupon rate during each adjusting period remains unchanged.	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date (i.e., the five-year U.S. government bond benchmark rate plus the initial fixed interest spread at the coupon reset date of the fifth year) for the five years thereafter.
18	of which: Coupon rate and any related index	The dividend yield fixed at 4.75% for the first five years, is reset based on the five-year Chinese government bond rate plus the initial fixed interest spread (0.89%) at the dividend reset date for the consecutive five years, and the dividend yield during each reset period remains unchanged (the first dividend yield reset date is 21 December 2022 and the subsequent reset date is 21 December of every 5 years thereafter).	4.86%	4.7%	The interest rate fixed at 4.25% for the first five years is reset based on the five-year U.S. government bond benchmark rate plus the initial fixed interest spread (1.88%) at the coupon reset date for the five years thereafter.	The coupon yield fixed at 4.22% for the first five years, is reset based on the five-year Chinese government bond rate plus the fixed interest spread (1.16%) at the coupon rate reset date for the consecutive five years, and the coupon yield during each reset period remains unchanged (the first coupon yield reset date is 15 November 2024 and the subsequent reset date is 15 November of every 5 years thereafter).	The interest rate is fixed at 2.45% for the first five years, and is reset based on the five-year U.S. government bond benchmark rate plus the fixed initial interest spread (2.15%) at the coupon rate reset date for the five years thereafter.

No.	Main features of eligible regulatory capital instruments	Preference shares	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Open-ended capital bonds	Tier 2 capital instrument
19	of which: Existence of dividend brake mechanism	Yes	No	No	No	Yes	No
20	of which: Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Fully discretionary	Mandatory
21	of which: Existence of redemption incentive mechanism	No	No	No	No	No	No
22	of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Yes	No	No	No	No	No
24	of which: If convertible, specify the trigger condition for conversion	Additional Tier 1 capital instruments triggers or Tier 2 capital instruments triggers	N/A	N/A	N/A	N/A	N/A
25	of which: If convertible, specify if it is fully or partially	Fully or partially convertible for Additional Tier 1 capital instruments triggers, and fully convertible for Tier 2 capital instruments triggers	N/A	N/A	N/A	N/A	N/A
26	of which: If convertible, specify conversion rate	The initial conversion price is the average trading price of A shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the preference shares (namely RMB5.20 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, Where the Bank distributes bonus shares or stock dividends for A ordinary shareholders, issues new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and makes rights issue after the plan on the preference share issuance is approved by the Board of Directors, the Bank will accumulatively adjust the conversion price in sequence for the matters above. However, the distribution of cash dividends of ordinary shares will not cause adjustment. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the forced conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders.	N/A	N/A	N/A	N/A	N/A
27	of which: If convertible, specify if it is mandatory or optional conversion	Yes	N/A	N/A	N/A	N/A	N/A
28	of which: If convertible, specify instrument type after conversion	Common Equity Tier 1 capital	N/A	N/A	N/A	N/A	N/A
29	of which: If convertible, specify issuer of instrument after conversion	CCB	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	No	Yes	Yes	Yes	Yes	Yes

No.	Main features of eligible regulatory capital instruments	Preference shares	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Open-ended capital bonds	Tier 2 capital instrument
31	of which: If write-down, specify the trigger point of write-down	N/A	Write-down is triggered at the earlier of followings: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of followings: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of followings: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	1. Trigger events of Additional Tier 1 capital instruments refer to the reduction of Common Equity Tier 1 ratio to 5.125% (or below). 2. Tier 2 Capital Instrument Trigger Event is defined as the earlier of: (i) the CBIRC having decided that without a write-off issuers would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which issuers would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.	Write-down is triggered at the earlier of followings: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.
32	of which: If write-down, specify if it is full or partial	N/A	Partial or full	Partial or full	Partial or full	1. Full or partial write-down for Additional Tier 1 capital instruments triggers. 2. Full write-down for Tier 2 capital instruments triggers.	Partial or full
33	of which: If write-down, specify if it is permanent or temporary	N/A	Permanent	Permanent	Permanent	Permanent	Permanent
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument types with higher priority rankings)	The lower priority behind all depositors, general creditors, and Tier 2 capital instruments issued or guaranteed by the Bank, and the capital instruments prior to preference shares, the same priority with Additional Tier 1 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with Tier 2 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with Tier 2 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with Tier 2 capital instruments ranking pari passu.	The lower priority behind the depositors, general creditors, and holders of subordinated indebtedness that ranks senior to open-ended capital bonds, in priority to all classes of shares held by the Bank's shareholders, and the same priority with Additional Tier 1 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with Tier 2 capital instruments ranking pari passu.
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A	N/A