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**中国建设银行**  
China Construction Bank

**中國建設銀行股份有限公司**

**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)

## **INTERIM RESULTS ANNOUNCEMENT**

**For the Six Months Ended 30 June 2020**

The board of directors of China Construction Bank Corporation (the “Bank”) is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2020 prepared in accordance with the applicable disclosure provisions of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (“Listing Rules of Hong Kong Stock Exchange”) and *International Accounting Standard No. 34 - Interim Financial Reporting*. The interim results have been reviewed by the Audit Committee and external auditors of the Bank.

# 1 SUMMARY OF INTERIM RESULTS 2020

The financial information set forth in this half-year report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards (“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
<b>For the period</b>				
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
<b>Per share (In RMB)</b>				
Basic and diluted earnings per share <sup>1</sup>	0.55	0.62	(11.29)	0.59
<b>Profitability indicators (%)</b>			Change +/-	
Annualised return on average assets <sup>2</sup>	1.05	1.31	(0.26)	1.31
Annualised return on average equity <sup>1</sup>	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 <sup>3</sup>	21.25	21.93	(0.68)	22.15

1. Calculated in accordance with the *Rule No.9 on the Preparation of Information Disclosure of Companies Issuing Public Securities - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)* 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
<b>At the end of the period</b>				
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 <sup>1</sup>	2,155,008	2,089,976	3.11	1,889,390
Tier 1 capital after regulatory adjustments <sup>1</sup>	119,716	119,716	-	79,720
Tier 2 capital after regulatory adjustments <sup>1</sup>	447,629	427,896	4.61	379,536
Total capital after regulatory adjustments <sup>1</sup>	2,722,353	2,637,588	3.21	2,348,646
Risk-weighted assets <sup>1</sup>	16,383,555	15,053,291	8.84	13,659,497
<b>Per share (In RMB)</b>				
Net assets per share attributable to ordinary shareholders of the Bank	8.65	8.39	3.10	7.59
<b>Capital adequacy indicators (%)</b>			Change +/-	
Common Equity Tier 1 ratio <sup>1</sup>	13.15	13.88	(0.73)	13.83
Tier 1 ratio <sup>1</sup>	13.88	14.68	(0.80)	14.42
Total capital ratio <sup>1</sup>	16.62	17.52	(0.90)	17.19
Total equity to total assets	8.32	8.79	(0.47)	8.58
<b>Asset quality indicators (%)</b>			Change +/-	
Non-performing loan (NPL) ratio	1.49	1.42	0.07	1.46
Allowances to NPLs <sup>2</sup>	223.47	227.69	(4.22)	208.37
Allowances to total loans <sup>3</sup>	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, and applicable to relevant rules for the transitional 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 Financial statements

### Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June		Change (%)
	2020 (Unaudited)	2019 (Unaudited)	
Interest income	470,522	432,446	8.80
Interest expense	(204,029)	(182,010)	12.10
<b>Net interest income</b>	<b>266,493</b>	<b>250,436</b>	<b>6.41</b>
Fee and commission income	88,755	84,167	5.45
Fee and commission expense	(8,734)	(7,472)	16.89
<b>Net fee and commission income</b>	<b>80,021</b>	<b>76,695</b>	<b>4.34</b>
Net trading gain	3,313	4,858	(31.80)
Dividend income	1,496	414	261.35
Net gain arising from investment securities	3,984	6,541	(39.09)
Net gain on derecognition of financial assets measured at amortised cost	1,381	1,435	(3.76)
Other operating income, net:			
- Other operating income	32,779	21,505	52.43
- Other operating expense	(29,543)	(17,497)	68.85
<b>Other operating income, net</b>	<b>3,236</b>	<b>4,008</b>	<b>(19.26)</b>
<b>Operating income</b>	<b>359,924</b>	<b>344,387</b>	<b>4.51</b>
<b>Operating expenses</b>	<b>(79,805)</b>	<b>(78,549)</b>	<b>1.60</b>
	<b>280,119</b>	<b>265,838</b>	<b>5.37</b>
Credit impairment losses	(111,378)	(74,638)	49.22
Other impairment losses	(188)	(148)	27.03
<b>Share of profits of associates and joint ventures</b>	<b>220</b>	<b>128</b>	<b>71.88</b>
<b>Profit before tax</b>	<b>168,773</b>	<b>191,180</b>	<b>(11.72)</b>
Income tax expense	(29,834)	(35,472)	(15.89)
<b>Net profit</b>	<b>138,939</b>	<b>155,708</b>	<b>(10.77)</b>

**Consolidated statement of comprehensive income (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	Six months ended 30 June		Change (%)
	2020 (Unaudited)	2019 (Unaudited)	
<b>Other comprehensive income:</b>			
(1)Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	160	110	45.45
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	(277)	318	(187.11)
Others	-	(3)	(100.00)
Subtotal	(117)	425	(127.53)
(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		(4,162.50)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	605	1,359	(55.48)
Reclassification adjustments included in profit or loss due to disposals	(377)	(93)	305.38
Net gain/(loss) on cash flow hedges	115	(174)	(166.09)
Exchange difference on translating foreign operations	180	(76)	(336.84)
Subtotal	7,348	848	766.51
<b>Other comprehensive income for the period, net of tax</b>	<b>7,231</b>	<b>1,273</b>	<b>468.03</b>

**Consolidated statement of comprehensive income (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	Six months ended 30 June		Change (%)
	2020 (Unaudited)	2019 (Unaudited)	
<b>Total comprehensive income for the period</b>	<b><u>146,170</u></b>	<u>156,981</u>	<u>(6.89)</u>
Net profit attributable to:			
Equity shareholders of the Bank	<b>137,626</b>	154,190	(10.74)
Non-controlling interests	<b><u>1,313</u></b>	<u>1,518</u>	<u>(13.50)</u>
	<b><u>138,939</u></b>	<u>155,708</u>	<u>(10.77)</u>
Total comprehensive income attributable to:			
Equity shareholders of the Bank	<b>144,813</b>	155,796	(7.05)
Non-controlling interests	<b><u>1,357</u></b>	<u>1,185</u>	<u>14.51</u>
	<b><u>146,170</u></b>	<u>156,981</u>	<u>(6.89)</u>
<b>Basic and diluted earnings per share (in RMB Yuan)</b>	<b><u>0.55</u></b>	<u>0.62</u>	<u>(11.29)</u>

## Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	Change (%)
<b>Assets:</b>			
Cash and deposits with central banks	<b>2,465,389</b>	2,621,010	(5.94)
Deposits with banks and non-bank financial institutions	<b>834,777</b>	419,661	98.92
Precious metals	<b>140,441</b>	46,169	204.19
Placements with banks and non-bank financial institutions	<b>509,581</b>	531,146	(4.06)
Positive fair value of derivatives	<b>25,157</b>	34,641	(27.38)
Financial assets held under resale agreements	<b>452,258</b>	557,809	(18.92)
Loans and advances to customers	<b>15,927,785</b>	14,540,667	9.54
Financial investments			
Financial assets measured at fair value through profit or loss	<b>681,550</b>	675,361	0.92
Financial assets measured at amortised cost	<b>4,145,782</b>	3,740,296	10.84
Financial assets measured at fair value through other comprehensive income	<b>1,911,069</b>	1,797,584	6.31
Long-term equity investments	<b>11,844</b>	11,353	4.32
Fixed assets	<b>167,014</b>	170,740	(2.18)
Land use rights	<b>14,472</b>	14,738	(1.80)
Intangible assets	<b>4,373</b>	4,502	(2.87)
Goodwill	<b>2,729</b>	2,809	(2.85)
Deferred tax assets	<b>83,400</b>	72,314	15.33
Other assets	<b>277,626</b>	195,461	42.04
<b>Total assets</b>	<b>27,655,247</b>	25,436,261	8.72

**Consolidated statement of financial position (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	Change (%)
<b>Liabilities:</b>			
Borrowings from central banks	<b>592,967</b>	549,433	7.92
Deposits from banks and non-bank financial institutions	<b>1,757,711</b>	1,672,698	5.08
Placements from banks and non-bank financial institutions	<b>469,741</b>	521,553	(9.93)
Financial liabilities measured at fair value through profit or loss	<b>412,578</b>	281,597	46.51
Negative fair value of derivatives	<b>38,736</b>	33,782	14.66
Financial assets sold under repurchase agreements	<b>124,898</b>	114,658	8.93
Deposits from customers	<b>20,402,162</b>	18,366,293	11.08
Accrued staff costs	<b>35,248</b>	39,075	(9.79)
Taxes payable	<b>48,953</b>	86,635	(43.50)
Provisions	<b>44,216</b>	42,943	2.96
Debt securities issued	<b>913,863</b>	1,076,575	(15.11)
Deferred tax liabilities	<b>549</b>	457	20.13
Other liabilities	<b>512,308</b>	415,435	23.32
<b>Total liabilities</b>	<b>25,353,930</b>	23,201,134	9.28



**Consolidated statement of financial position (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	Change (%)
<b>Equity:</b>			
Share capital	<b>250,011</b>	250,011	-
Other equity instruments			
Preference shares	<b>79,636</b>	79,636	-
Perpetual bonds	<b>39,991</b>	39,991	-
Capital reserve	<b>134,537</b>	134,537	-
Other comprehensive income	<b>39,173</b>	31,986	22.47
Surplus reserve	<b>249,178</b>	249,178	-
General reserve	<b>314,521</b>	314,389	0.04
Retained earnings	<b>1,174,019</b>	1,116,529	5.15
Total equity attributable to equity shareholders of the Bank	<b>2,281,066</b>	2,216,257	2.92
Non-controlling interests	<b>20,251</b>	18,870	7.32
<b>Total equity</b>	<b>2,301,317</b>	2,235,127	2.96
<b>Total liabilities and equity</b>	<b>27,655,247</b>	25,436,261	8.72

## Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
	Share capital	Other equity instruments		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 share holders	-	-	-	-	-	-	-	-	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 Appropriation 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

## Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

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

## Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

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

## Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
<b><i>Cash flows from operating activities</i></b>		
Profit before tax	<b>168,773</b>	191,180
<i>Adjustments for:</i>		
-Credit impairment losses	<b>111,378</b>	74,638
-Other impairment losses	<b>188</b>	148
-Depreciation and amortisation	<b>13,070</b>	11,334
-Interest income from impaired financial assets	<b>(1,710)</b>	(1,558)
-Revaluation loss/(gain) on financial instruments at fair value through profit or loss	<b>484</b>	(2,758)
-Share of profits of associates and joint ventures	<b>(220)</b>	(128)
-Dividend income	<b>(1,496)</b>	(414)
-Unrealised foreign exchange loss/(gain)	<b>1,823</b>	(1,377)
-Interest expense on bonds issued	<b>8,432</b>	8,450
-Interest income from investment securities and net income from disposal	<b>(101,697)</b>	(99,039)
-Net loss on disposal of fixed assets and other long-term assets	<b>21</b>	14
	<b>199,046</b>	180,490

**Consolidated statement of cash flows (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
<b><i>Cash flows from operating activities (continued)</i></b>		
<i>Changes in operating assets:</i>		
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)
	<u>(2,136,096)</u>	<u>(1,044,693)</u>
<i>Changes in operating liabilities:</i>		
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
	<u>1,999,750</u>	<u>978,381</u>
<b>Net cash from operating activities</b>	<u>62,700</u>	<u>114,178</u>

**Consolidated statement of cash flows (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
<b><i>Cash flows from investing activities</i></b>		
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)	-
<b>Net cash used in investing activities</b>	<b>(448,716)</b>	<b>(213,469)</b>
<b><i>Cash flows from financing activities</i></b>		
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)
<b>Net cash used in financing activities</b>	<b>(18,333)</b>	<b>(19,892)</b>

**Consolidated statement of cash flows (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>Six months ended 30 June</u>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b><u>4,766</u></b>	<u>(293)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(399,583)</b>	(119,476)
<b>Cash and cash equivalents as at 1 January</b>	<b><u>1,052,340</u></b>	<u>860,702</u>
<b>Cash and cash equivalents as at 30 June</b>	<b><u>652,757</u></b>	<u>741,226</u>
<b>Cash flows from operating activities include:</b>		
Interest received, excluding interest income from investment securities	<b><u>358,058</u></b>	<u>333,719</u>
Interest paid, excluding interest expense on bonds issued	<b><u>(159,512)</u></b>	<u>(159,796)</u>

**Notes:**

(1) Except for the amendments effective for the six months ended 30 June 2020 and those early adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2019.

(2) Unless otherwise stated, the financial figures are expressed in millions of RMB.

(3) For the purpose of this results announcement, 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 and Taiwan.



**(4) Net gain arising from investment securities**

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

(5) **Operating expenses**

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

(6) **Income tax expense**

① Income tax expense

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

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

**(7) 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	<b>137,626</b>	154,190
Net profit attributable to ordinary shareholders of the Bank	<b>137,626</b>	154,190
Weighted average number of ordinary shares (in millions of shares)	<b>250,011</b>	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	<b>0.55</b>	0.62
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	<b>0.55</b>	0.62

## (8) Derivatives and hedge accounting

### ① Analysed by type of contract

	Note	30 June 2020			31 December 2019		
		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		<u>4,682,198</u>	<u>25,157</u>	<u>38,736</u>	<u>4,348,535</u>	<u>34,641</u>	<u>33,782</u>

### 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		<u>67,877</u>	<u>55,488</u>

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.

**(8) Derivatives and hedge accounting (continued)**

**③ Hedge accounting**

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

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

*(a) Fair value hedge*

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

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

	<u>Six months ended 30 June</u>	
	<u>2020</u>	<u>2019</u>
Net (losses)/gains on		
- hedging instruments	<b>(1,099)</b>	(630)
- hedged items	<b>1,124</b>	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.

**(8) 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.

**(9) Deposits from customers**

	<u>30 June 2020</u>	<u>31 December 2019</u>
Demand deposits		
- Corporate customers	<b>6,534,740</b>	6,001,053
- Personal customers	<b>4,602,815</b>	4,136,591
Subtotal	<b>11,137,555</b>	10,137,644
Time deposits (including call deposits)		
- Corporate customers	<b>3,643,530</b>	3,239,657
- Personal customers	<b>5,384,901</b>	4,781,485
Subtotal	<b>9,028,431</b>	8,021,142
Accrued interest	<b>236,176</b>	207,507
Total	<b>20,402,162</b>	18,366,293
Deposits from customers include:		
	<u>30 June 2020</u>	<u>31 December 2019</u>
① Pledged deposits		
- Deposits for acceptance	<b>64,705</b>	57,367
- Deposits for guarantee	<b>47,404</b>	52,351
- Deposits for letter of credit	<b>16,557</b>	11,593
- Others	<b>223,482</b>	180,387
Total	<b>352,148</b>	301,698
② Outward remittance and remittance payables	<b>17,918</b>	19,805



## (10) 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.

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

**(10) 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.

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

③ Capital commitments

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Contracted for	<u>21,454</u>	<u>20,077</u>

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).

**(10) Commitments and contingent liabilities (continued)**

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. 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.

## (11) 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.

## (11) Operating segments (continued)

### ① Geographical segments (continued)

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.

**(11) Operating segments (continued)**

## ① Geographical segments (continued)

	Six months ended 30 June 2020								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	
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	-
<b>Net interest income</b>	<b>43,669</b>	<b>41,160</b>	<b>40,390</b>	<b>49,922</b>	<b>43,996</b>	<b>12,134</b>	<b>28,037</b>	<b>7,185</b>	<b>266,493</b>
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
<b>Operating income</b>	<b>55,223</b>	<b>55,641</b>	<b>53,620</b>	<b>60,360</b>	<b>51,958</b>	<b>13,603</b>	<b>58,497</b>	<b>11,022</b>	<b>359,924</b>
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
<b>Profit before tax</b>	<b>27,486</b>	<b>28,208</b>	<b>27,311</b>	<b>16,021</b>	<b>26,105</b>	<b>3,292</b>	<b>37,763</b>	<b>2,587</b>	<b>168,773</b>
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
	<b>30 June 2020</b>								
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
	<b>5,071,163</b>	<b>4,275,921</b>	<b>5,897,992</b>	<b>4,793,998</b>	<b>3,947,681</b>	<b>1,407,181</b>	<b>10,508,896</b>	<b>1,708,626</b>	<b>37,611,458</b>
Deferred tax assets									83,400
Elimination									(10,039,611)
Total assets									<b>27,655,247</b>
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									<b>25,353,930</b>
Off-balance sheet credit commitments	599,235	552,904	681,851	622,724	458,806	160,400	-	259,820	3,335,740

**(11) Operating segments (continued)**

## ① Geographical segments (continued)

	Six months ended 30 June 2019								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	
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)	-
<b>Net interest income</b>	<b>37,571</b>	<b>34,025</b>	<b>37,684</b>	<b>43,411</b>	<b>39,332</b>	<b>11,931</b>	<b>41,216</b>	<b>5,266</b>	<b>250,436</b>
Net fee and commission income	10,782	13,073	10,813	9,514	6,020	2,323	22,922	1,248	76,695
Net trading gain/(loss)	39	111	97	106	65	3	4,460	(23)	4,858
Dividend income	44	-	28	11	2	-	24	305	414
Net gain/(loss) arising from 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
<b>Operating income</b>	<b>50,014</b>	<b>47,455</b>	<b>49,314</b>	<b>53,320</b>	<b>46,372</b>	<b>14,892</b>	<b>72,163</b>	<b>10,857</b>	<b>344,387</b>
Operating expenses	(12,157)	(9,688)	(12,604)	(14,330)	(12,641)	(5,217)	(7,331)	(4,581)	(78,549)
Credit impairment losses	(8,633)	(12,256)	(16,671)	(14,038)	(11,621)	(3,194)	(7,887)	(338)	(74,638)
Other impairment losses	(6)	(1)	(50)	25	30	7	(121)	(32)	(148)
Share of profits of associates and joint ventures	-	-	-	116	-	-	-	12	128
<b>Profit before tax</b>	<b>29,218</b>	<b>25,510</b>	<b>19,989</b>	<b>25,093</b>	<b>22,140</b>	<b>6,488</b>	<b>56,824</b>	<b>5,918</b>	<b>191,180</b>
Capital expenditure	282	222	830	549	556	190	111	2,255	4,995
Depreciation and amortisation	1,691	1,482	1,833	2,176	1,835	857	942	518	11,334
	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
	<b>4,749,945</b>	<b>3,767,856</b>	<b>5,574,202</b>	<b>4,487,688</b>	<b>3,670,832</b>	<b>1,286,929</b>	<b>9,745,744</b>	<b>1,722,884</b>	<b>35,006,080</b>
Deferred tax assets									72,314
Elimination									(9,642,133)
<b>Total assets</b>									<b>25,436,261</b>
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)
<b>Total liabilities</b>									<b>23,201,134</b>
Off-balance sheet credit commitments	546,411	506,947	640,521	557,471	407,151	149,396	-	277,910	3,085,807

## (11) 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.



**(11) Operating segments (continued)**

## ② Business segments (continued)

	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)	-
<b>Net interest income</b>	<b>126,726</b>	<b>109,204</b>	<b>24,297</b>	<b>6,266</b>	<b>266,493</b>
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
<b>Operating income</b>	<b>143,805</b>	<b>156,250</b>	<b>48,042</b>	<b>11,827</b>	<b>359,924</b>
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
<b>Profit before tax</b>	<b>32,425</b>	<b>95,742</b>	<b>40,799</b>	<b>(193)</b>	<b>168,773</b>
Capital expenditure	741	1,067	108	3,932	5,848
Depreciation and amortisation	4,596	6,618	672	1,184	13,070
	<b>30 June 2020</b>				
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
	<b>9,401,299</b>	<b>7,044,737</b>	<b>9,464,321</b>	<b>1,761,466</b>	<b>27,671,823</b>
Deferred tax assets					83,400
Elimination					(99,976)
Total assets					<b>27,655,247</b>
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					<b>25,353,930</b>
Off-balance sheet credit commitments	1,962,522	1,113,398	-	259,820	3,335,740

(11) 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/(expenses)	24,612	30,856	(52,464)	(3,004)	-
<b>Net interest income</b>	<b>117,892</b>	<b>87,865</b>	<b>37,959</b>	<b>6,720</b>	<b>250,436</b>
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
<b>Operating income</b>	<b>134,347</b>	<b>133,277</b>	<b>55,228</b>	<b>21,535</b>	<b>344,387</b>
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
<b>Profit before tax</b>	<b>43,876</b>	<b>85,889</b>	<b>47,738</b>	<b>13,677</b>	<b>191,180</b>
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
	<b>8,132,225</b>	<b>6,658,229</b>	<b>9,070,449</b>	<b>1,751,245</b>	<b>25,612,148</b>
Deferred tax assets					72,314
Elimination					(248,201)
<b>Total assets</b>					<b>25,436,261</b>
Segment liabilities	10,629,081	9,174,974	1,414,808	2,230,015	23,448,878
Deferred tax liabilities					457
Elimination					(248,201)
<b>Total liabilities</b>					<b>23,201,134</b>
Off-balance sheet credit commitments	1,789,423	1,018,474	-	277,910	3,085,807

## 3 Unaudited supplementary financial information

### 3.1 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 indicators for the second quarter of 2020.

S/N	(In millions of RMB, except percentages)	Total Unweighted Value	Total Weighted Value
<b>High-Quality Liquid Assets</b>			
1	Total High-Quality Liquid Assets (HQLA)		4,581,133
<b>Cash outflow</b>			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	9,043,664	770,657
4	Less stable deposits	2,673,472	133,638
5	Unsecured wholesale funding, of which:	6,370,192	637,019
6	Operational deposits (excluding those generated from correspondent banking activates)	10,585,850	3,462,581
7	Non-operational deposits (all counterparties)	7,196,003	1,788,524
8	Unsecured debt	3,239,511	1,523,721
9	Secured funding	150,336	150,336
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	1,782,749	200,674
12	Outflows related to loss of funding on secured debt products	40,781	40,781
13	Credit and liquidity facilities	11,028	11,028
14	Other contractual funding obligations	1,730,940	148,865
15	Other contingent funding obligations	111	-
16	<b>Total Cash Outflows</b>	3,609,174	416,974
<b>Cash inflow</b>			
17	Secured lending (including reverse repos and securities borrowing)		
18	Inflow from fully performing exposures	501,137	498,067
19	Other cash inflows	1,683,562	1,101,490
20	<b>Total Cash Inflows</b>	40,610	34,896
		2,225,309	1,634,453
		Total Adjusted Value	
21	<b>Total HQLA</b>		4,581,133
22	<b>Total Net Cash Outflows</b>		3,218,186
23	<b>Liquidity coverage ratio (%)<sup>1</sup></b>		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.

### 3.1 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.

No.	(In RMB millions, except percentages)	30 June 2020					31 March 2020				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>AFS Item</b>											
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	<b>Total ASF</b>					<b>19,113,227</b>					<b>18,816,339</b>

### 3.1 Liquidity coverage ratio and net stable funding ratio (continued)

		30 June 2020				31 March 2020					
No.	(In RMB millions, except percentages)	Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>RSF Item</b>											
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	-	-	-	-	-	-	-	-	-	-

### 3.1 Liquidity coverage ratio and net stable funding ratio (continued)

No.	(In RMB millions, except percentages)	30 June 2020					31 March 2020				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>RSF Item (continued)</b>											
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 <sup>1</sup>				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	<b>Total RSF</b>					15,121,178					14,923,874
34	<b>Net stable funding ratio (%)</b>					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".

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.

## 3.2 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)	<b>As at 30 June 2020</b>	<b>As at 31 March 2020</b>	As at 31 December 2019	As at 30 September 2019
<b>Leverage ratio</b>	<b>7.84%</b>	<b>8.14%</b>	8.28%	8.27%
Tier 1 capital after regulatory adjustments	<b>2,274,724</b>	<b>2,311,145</b>	2,209,692	2,126,153
On and off-balance sheet assets after adjustments	<b>29,023,947</b>	<b>28,404,807</b>	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)	<b>As at 30 June 2020</b>	As at 31 December 2019
Total on-balance sheet assets <sup>1</sup>	<b>27,655,247</b>	25,436,261
Consolidated adjustment <sup>2</sup>	<b>(195,968)</b>	(171,735)
Derivatives adjustment	<b>74,935</b>	58,591
Securities financing transactions adjustment	<b>1,275</b>	899
Off-balance sheet items adjustment <sup>3</sup>	<b>1,498,479</b>	1,380,975
Other adjustments <sup>4</sup>	<b>(10,021)</b>	(10,258)
<b>On and off-balance sheet assets after adjustments</b>	<b>29,023,947</b>	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.

## 3.2 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)	<b>As at 30 June 2020</b>	<b>As at 31 December 2019</b>
On-balance sheet assets (excluding derivatives and securities financing transactions) <sup>1</sup>	<b>26,983,963</b>	24,675,900
Less: Regulatory adjustments to Tier 1 capital	<b>(10,021)</b>	(10,258)
<b>On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)</b>	<b>26,973,942</b>	24,665,642
Replacement costs of various derivatives (excluding eligible margin)	<b>40,598</b>	40,064
Potential risk exposures of various derivatives	<b>59,228</b>	52,930
Nominal principals arising from sales of credit derivatives	-	-
<b>Derivative assets</b>	<b>99,826</b>	92,994
Accounting assets arising from securities financing transactions	<b>450,425</b>	554,223
Counterparty credit risk exposure arising from securities financing transactions	<b>1,275</b>	899
<b>Securities financing transactions assets</b>	<b>451,700</b>	555,122
Off-balance sheet assets <sup>2</sup>	<b>4,190,983</b>	3,735,906
Less: Decrease in off-balance sheet assets due to credit conversion	<b>(2,692,504)</b>	(2,354,931)
<b>Off-balance sheet assets after adjustments</b>	<b>1,498,479</b>	1,380,975
Tier 1 capital after regulatory adjustments	<b>2,274,724</b>	2,209,692
On and off-balance sheet assets after adjustments	<b>29,023,947</b>	26,694,733
<b>Leverage Ratio<sup>3</sup></b>	<b>7.84%</b>	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.



### 3.3 Currency concentrations

	30 June 2020			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
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)
<b>Net long position</b>	<b>29,457</b>	<b>44,735</b>	<b>20,106</b>	<b>94,298</b>
<b>Net structural position</b>	<b>44,075</b>	<b>1,567</b>	<b>(15,216)</b>	<b>30,426</b>

  

	31 December 2019			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
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)
<b>Net long position</b>	<b>20,810</b>	<b>42,734</b>	<b>24,712</b>	<b>88,256</b>
<b>Net structural position</b>	<b>41,583</b>	<b>1,487</b>	<b>(15,465)</b>	<b>27,605</b>

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.

### 3.4 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.

	<b>30 June 2020</b>				<b>Total</b>
	<b>Banks</b>	<b>Public sector entities</b>	<b>Non-bank private institutions</b>	<b>Others</b>	
Asia Pacific	<b>428,221</b>	<b>81,961</b>	<b>847,324</b>	<b>35,721</b>	<b>1,393,227</b>
- of which attributed to Hong Kong	<b>13,277</b>	<b>24,773</b>	<b>347,513</b>	-	<b>385,563</b>
Europe	<b>21,426</b>	<b>52,612</b>	<b>90,570</b>	-	<b>164,608</b>
North and South America	<b>36,524</b>	<b>139,687</b>	<b>157,939</b>	-	<b>334,150</b>
<b>Total</b>	<b>486,171</b>	<b>274,260</b>	<b>1,095,833</b>	<b>35,721</b>	<b>1,891,985</b>
	<b>31 December 2019</b>				
	<b>Banks</b>	<b>Public sector entities</b>	<b>Non-bank private institutions</b>	<b>Others</b>	<b>Total</b>
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
<b>Total</b>	<b>499,409</b>	<b>247,004</b>	<b>913,844</b>	<b>29,058</b>	<b>1,689,315</b>

### 3.5 Overdue loans and advances to customers by geographical sector

	<b>30 June 2020</b>	31 December 2019
Central	<b>37,071</b>	33,505
Western	<b>22,664</b>	26,066
Bohai Rim	<b>15,286</b>	14,309
Yangtze River Delta	<b>15,724</b>	16,404
Pearl River Delta	<b>14,304</b>	13,071
Northeastern	<b>11,091</b>	11,669
Head office	<b>9,130</b>	7,505
Overseas	<b>2,982</b>	1,787
Total	<b>128,252</b>	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 to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

### 3.6 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.

## 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 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 kept 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 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 while 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 transaction in money market was 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% compared to that of the same period last 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 impact of 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 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%.

#### 4.1.1 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 its 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 expenses recognition in the wake of COVID-19. Cost-to-income ratio was 21.25%, 0.68 percentage points lower than that from 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
<b>Operating income</b>	<b>359,924</b>	<b>344,387</b>	<b>4.51</b>
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
<b>Profit before tax</b>	<b>168,773</b>	<b>191,180</b>	<b>(11.72)</b>
Income tax expense	(29,834)	(35,472)	(15.89)
<b>Net profit</b>	<b>138,939</b>	<b>155,708</b>	<b>(10.77)</b>

## 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.

(In millions of RMB, except percentages)	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Average balance	Interest income/expense	Annualised average yield/cost (%)	Average balance	Interest income/expense	Annualised average yield/cost (%)
<b>Assets</b>						
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	
<b>Liabilities</b>						
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	
<b>Net interest income</b>		266,493			250,436	
<b>Net interest spread</b>			1.99			2.12
<b>Net interest margin</b>			2.14			2.27

In the first half of 2020, the Group launched a series of preferential measures to proactively surrender part of its profits to 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 expenses in the first half of 2020 as compared with those of the same period last year.

(In millions of RMB)	Volume factor <sup>1</sup>	Interest rate factor <sup>1</sup>	Change in interest income/expense
<b>Assets</b>			
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
<b>Change in interest income</b>	<b>52,016</b>	<b>(13,940)</b>	<b>38,076</b>
<b>Liabilities</b>			
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)
<b>Change in interest expense</b>	<b>25,624</b>	<b>(3,605)</b>	<b>22,019</b>
<b>Change in net interest income</b>	<b>26,392</b>	<b>(10,335)</b>	<b>16,057</b>

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 (%)
<b>Corporate loans and advances</b>	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
<b>Personal loans and advances</b>	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
<b>Discounted bills</b>	490,199	6,419	2.63	363,568	6,100	3.38
<b>Overseas operations and subsidiaries</b>	1,113,056	22,601	4.08	1,065,448	22,399	4.24
<b>Gross loans and advances to customers</b>	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.

(In millions of RMB, except percentages)	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Average balance	Interest expense	Annualised average cost (%)	Average balance	Interest expense	Annualised average cost (%)
<b>Corporate deposits</b>	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
<b>Personal deposits</b>	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
<b>Overseas operations and subsidiaries</b>	526,216	4,737	1.81	480,203	5,258	2.21
<b>Total deposits from customers</b>	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, 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)
<b>Total other net non-interest income</b>	<b>93,431</b>	<b>93,951</b>	<b>(0.55)</b>

In the first half of 2020, the Group's net non-interest income reached 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 (%)
<b>Fee and commission income</b>	<b>88,755</b>	<b>84,167</b>	<b>5.45</b>
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
<b>Fee and commission expense</b>	<b>(8,734)</b>	<b>(7,472)</b>	<b>16.89</b>
<b>Net fee and commission income</b>	<b>80,021</b>	<b>76,695</b>	<b>4.34</b>

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 advisory services for customers in a batched and accurate manner. 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 wealth management products (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)	<b>Six months ended 30 June 2020</b>	<b>Six months ended 30 June 2019</b>	<b>Change (%)</b>
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)
<b>Total other net non-interest income</b>	<b>13,410</b>	<b>17,256</b>	<b>(22.29)</b>

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
<b>Total operating expenses</b>	<b>79,805</b>	<b>78,549</b>
<b>Cost-to-income ratio (%)</b>	<b>21.25</b>	<b>21.93</b>

In the first half of 2020, the Group continuously strengthened cost management and optimised expenses structure. Cost-to-income ratio decreased 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 temporary policy of reduction and exemption of social security 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
<b>Loans and advances to customers</b>	105,534	69,787
<b>Financial investments</b>	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
<b>Others</b>	3,203	2,027
<b>Total impairment losses</b>	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.

## 4.1.2 Statement of Financial Position Analysis

### Assets

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

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
<b>Loans and advances to customers</b>	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
<b>Financial investments</b>	6,738,401	24.37	6,213,241	24.43
<b>Cash and deposits with central banks</b>	2,465,389	8.91	2,621,010	10.30
<b>Deposits and placements with banks and non-bank financial institutions</b>	1,344,358	4.86	950,807	3.74
<b>Financial assets held under resale agreements</b>	452,258	1.64	557,809	2.19
<b>Others</b> <sup>1</sup>	727,056	2.63	552,727	2.17
<b>Total assets</b>	<b>27,655,247</b>	<b>100.00</b>	<b>25,436,261</b>	<b>100.00</b>

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, actively increased credit supply, accurately and effectively supported 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.

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
<b>Corporate loans and advances</b>	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
<b>Personal loans and advances</b>	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 <sup>1</sup>	187,461	1.14	196,554	1.31
<b>Discounted bills</b>	413,419	2.51	492,693	3.28
<b>Overseas operations and subsidiaries</b>	1,080,817	6.56	1,058,017	7.04
<b>Accrued interest</b>	43,686	0.27	34,919	0.23
<b>Gross loans and advances to customers</b>	<b>16,474,146</b>	<b>100.00</b>	<b>15,022,825</b>	<b>100.00</b>

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 tangible 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
<b>Gross loans and advances to customers</b>	<b>16,474,146</b>	<b>100.00</b>	<b>15,022,825</b>	<b>100.00</b>

*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
<b>As at 1 January 2020</b>	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
<b>As at 30 June 2020</b>	<b>284,457</b>	<b>106,639</b>	<b>155,265</b>	<b>546,361</b>

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.

### ***Financial investments***

The following table sets forth the composition of the Group’s financial investments by measurement 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
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
<b>Total financial investments</b>	<b>6,738,401</b>	<b>100.00</b>	<b>6,213,241</b>	<b>100.00</b>

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

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
Debt securities investments	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
<b>Total financial investments</b>	<b>6,738,401</b>	<b>100.00</b>	<b>6,213,241</b>	<b>100.00</b>

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.

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	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
<b>Total debt securities investments</b>	<b>6,342,087</b>	<b>100.00</b>	<b>5,846,133</b>	<b>100.00</b>

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
Government	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
<b>Total debt securities investments</b>	<b>6,342,087</b>	<b>100.00</b>	<b>5,846,133</b>	<b>100.00</b>

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 its proportion in total.

### **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.

### **Liabilities**

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

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	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 <sup>1</sup>	1,092,588	4.31	899,924	3.88
<b>Total liabilities</b>	<b>25,353,930</b>	<b>100.00</b>	<b>23,201,134</b>	<b>100.00</b>

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

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 securities and funds; 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.

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>	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
<b>Personal deposits</b>	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
<b>Overseas operations and subsidiaries</b>	536,172	2.63	510,907	2.78
<b>Accrued interest</b>	236,176	1.16	207,507	1.13
<b>Total deposits from customers</b>	<b>20,402,162</b>	<b>100.00</b>	<b>18,366,293</b>	<b>100.00</b>

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. 38 - Contents and Formats of Annual Reports on Corporate Debt Securities*.

## 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 bond	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
<b>Total equity attributable to equity shareholders of the Bank</b>	<b>2,281,066</b>	<b>2,216,257</b>
Non-controlling interests	20,251	18,870
<b>Total equity</b>	<b>2,301,317</b>	<b>2,235,127</b>

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 metal and commodity contracts. 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.

### 4.1.3 Loan Quality Analysis

#### 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		As at 31 December 2019	
	Amount	% of total	Amount	% 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
<b>Gross loans and advances excluding accrued interest</b>	<b>16,430,460</b>	<b>100.00</b>	<b>14,987,906</b>	<b>100.00</b>
<b>NPLs</b>	<b>245,516</b>		<b>212,473</b>	
<b>NPL ratio</b>		<b>1.49</b>		<b>1.42</b>

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 judgment 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			As at 31 December 2019		
	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>	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
<b>Personal loans and advances</b>	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
<b>Discounted bills</b>	413,419	664	0.16	492,693	724	0.15
<b>Overseas operations and subsidiaries</b>	1,080,817	15,959	1.48	1,058,017	13,167	1.24
<b>Gross loans and advances excluding accrued interest</b>	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.

(In millions of RMB, except percentages)	As at 30 June 2020				As at 31 December 2019			
	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>	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
<b>Personal loans and advances</b>	6,866,895	41.79	29,250	0.43	6,477,352	43.22	26,736	0.41
<b>Discounted bills</b>	413,419	2.52	664	0.16	492,693	3.29	724	0.15
<b>Overseas operations and subsidiaries</b>	1,080,817	6.58	15,959	1.48	1,058,017	7.06	13,167	1.24
<b>Gross loans and advances excluding accrued interest</b>	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.

#### 4.1.4 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.

## 4.2 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:

(In millions of RMB)	Operating income		Impairment losses		Profit before tax	
	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
<b>Total</b>	<b>359,924</b>	<b>344,387</b>	<b>(111,566)</b>	<b>74,786</b>	<b>168,773</b>	<b>191,180</b>

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%, and

profit before tax totalled negative RMB193 million due to a significant increase in impairment losses.

### **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 great difficulty. The pandemic imposed 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 technology accumulation of the “New Generation Core Banking System” and advantages of early online layout, 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 faithfully reflect its risk position and fully discover and absorb the risks. 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 well 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.

## **4.2.1 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, including 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 rental. 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 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” product line, 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.

## **4.2.2 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%. In accordance with 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 wages 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”, an intelligent cross-border matching 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 products 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 customers from 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 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.

## **4.2.3 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.

## **4.2.4 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 policies 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 bond 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 existing WMPs of the Bank during the reporting period are as follows.

(In millions of RMB, except numbers)	31 December 2019		Issuance		Maturity		30 June 2020	
	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
<b>Total</b>	<b>4,182</b>	<b>2,061,897</b>	<b>3,058</b>	<b>3,545,729</b>	<b>3,954</b>	<b>3,814,458</b>	<b>3,286</b>	<b>1,793,168</b>

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

(In millions of RMB, except percentages)	30 June 2020		31 December 2019	
	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
<b>Total</b>	<b>2,009,616</b>	<b>100.00</b>	<b>2,145,757</b>	<b>100.00</b>

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<sup>®</sup> e Intelligent” and “FITS<sup>®</sup> 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 to resume 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 RMB209,132 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 won 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.

## **4.2.5 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 RMB9,779million, 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.

### **4.2.6 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,. Total assets of CCB Investment amounted to RMB116,232 million, and shareholder' 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 to list 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.

## 4.2.7 Analysed by Geographical Segments

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

(In millions of RMB, except percentages)	Six months ended 30 June 2020		Six months ended 30 June 2019	
	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
<b>Profit before tax</b>	<b>168,773</b>	<b>100.00</b>	<b>191,180</b>	<b>100.00</b>

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

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	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
<b>Total assets<sup>1</sup></b>	<b>37,611,458</b>	<b>100.00</b>	<b>35,006,080</b>	<b>100.00</b>

1. Total assets exclude elimination and deferred tax assets.

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

(In millions of RMB, except percentages)	As at 30 June 2020				As at 31 December 2019			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	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
<b>Gross loans and advances excluding accrued interest</b>	<b>16,430,460</b>	<b>100.00</b>	<b>245,516</b>	<b>1.49</b>	<b>14,987,906</b>	<b>100.00</b>	<b>212,473</b>	<b>1.42</b>

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

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total	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
<b>Total deposits from customers</b>	<b>20,402,162</b>	<b>100.00</b>	<b>18,366,293</b>	<b>100.00</b>

## 4.3 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.

### 4.3.1 Capital Adequacy Ratios

#### Capital adequacy ratio

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 transitional period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 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.

(In millions of RMB, except percentages)	As at 30 June 2020		As at 31 December 2019	
	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%

## 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
<b>Credit risk-weighted assets</b>	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
<b>Market risk-weighted assets</b>	125,807	123,700
Covered by the internal models approach	71,808	74,509
Uncovered by the internal models approach	53,999	49,191
<b>Operational risk-weighted assets</b>	1,140,845	1,140,845
<b>Additional risk-weighted assets due to the application of capital floor</b>	-	-
<b>Total risk-weighted assets</b>	<b>16,383,555</b>	<b>15,053,291</b>

### 4.3.2 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
<b>Leverage ratio</b>	<b>7.84%</b>	<b>8.14%</b>	<b>8.28%</b>	<b>8.27%</b>
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

## 4.4 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.

## **5 MAJOR ISSUES**

### **5.1 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.

### **5.2 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.



### **5.3 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.

### **5.4 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.

### **5.5 EVENTS AFTER THE REPORTING PERIOD**

The Group has no significant events after the reporting period.

### **5.6 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.

By order of the board of directors

**CHINA CONSTRUCTION BANK CORPORATION**

**Liu Guiping**

*Vice chairman, executive director and president*

28 August 2020

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