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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

EUR Preference Shares Stock Code: 4604

2020 Interim Results Announcement

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the unaudited interim results of the Bank and its subsidiaries for the six months ended 30 June 2020. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the unaudited interim results. Information disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

	Stock name	Stock code	Stock exchange on which shares are listed
A Share	工商銀行	601398	Shanghai Stock Exchange
H Share	ICBC	1398	The Stock Exchange of Hong Kong Limited
Offshore Preference Share	ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	工行優 1	360011	Shanghai Stock Exchange
	工行優 2	360036	Shanghai Stock Exchange

1.2 Contact

Board Secretary and Company Secretary

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2. Financial Highlights

(Financial data and indicators in this Results Announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Financial Data

	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2018
Operating results (in RMB millions)			
Net interest income	306,549	299,301	277,616
Net fee and commission income	88,900	88,501	79,260
Operating income	402,346	394,203	361,302
Operating expenses	87,925	87,154	81,958
Impairment losses on assets	125,456	99,180	83,458
Operating profit	188,965	207,869	195,886
Profit before taxation	189,351	209,209	197,216
Net profit	149,796	168,690	160,657
Net profit attributable to equity holders of the parent company	148,790	167,931	160,442
Net cash flows from operating activities	1,873,733	907,293	92,410
Per share data (in RMB yuan)			
Basic earnings per share	0.42	0.47	0.45
Diluted earnings per share	0.42	0.47	0.45
	30 June 2020	31 December 2019	31 December 2018
Assets and liabilities (in RMB millions)			
Total assets	33,112,010	30,109,436	27,699,540
Total loans and advances to customers	17,975,652	16,761,319	15,419,905
Corporate loans	10,774,963	9,955,821	9,418,894
Personal loans	6,769,931	6,383,624	5,636,574
Discounted bills	430,758	421,874	364,437
Allowance for impairment losses on loans ⁽¹⁾	525,593	478,730	413,177
Investment	8,365,593	7,647,117	6,754,692
Total liabilities	30,365,254	27,417,433	25,354,657
Due to customers	25,067,870	22,977,655	21,408,934
Corporate deposits	13,070,006	12,028,262	11,481,141
Personal deposits	11,529,086	10,477,744	9,436,418
Other deposits	228,159	234,852	268,914
Accrued interest	240,619	236,797	222,461
Due to banks and other financial institutions	2,973,637	2,266,573	1,814,495
Equity attributable to equity holders of the parent company	2,730,866	2,676,186	2,330,001
Share capital	356,407	356,407	356,407
Net asset value per share ⁽²⁾ (in RMB yuan)	7.08	6.93	6.30
Net core tier 1 capital ⁽³⁾	2,511,226	2,457,274	2,232,033
Net tier 1 capital ⁽³⁾	2,711,433	2,657,523	2,312,143
Net capital base ⁽³⁾	3,162,141	3,121,479	2,644,885
Risk-weighted assets ⁽³⁾	19,769,139	18,616,886	17,190,992
Credit rating			
S&P ⁽⁴⁾	A	A	A
Moody's ⁽⁴⁾	A1	A1	A1

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

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

(3) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

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

2.2 Financial Indicators

	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2018
Profitability (%)			
Return on average total assets ⁽¹⁾	0.95*	1.17*	1.20*
Return on weighted average equity ⁽²⁾	11.70*	14.41*	15.33*
Net interest spread ⁽³⁾	1.98*	2.13*	2.16*
Net interest margin ⁽⁴⁾	2.13*	2.29*	2.30*
Return on risk-weighted assets ⁽⁵⁾	1.56*	1.91*	1.96*
Ratio of net fee and commission income to operating income	22.10	22.45	21.94
Cost-to-income ratio ⁽⁶⁾	20.76	21.13	21.51
	30 June 2020	31 December 2019	31 December 2018
Asset quality (%)			
Non-performing loans (“NPLs”) ratio ⁽⁷⁾	1.50	1.43	1.52
Allowance to NPLs ⁽⁸⁾	194.69	199.32	175.76
Allowance to total loans ratio ⁽⁹⁾	2.92	2.86	2.68
Capital adequacy (%)			
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	12.70	13.20	12.98
Tier 1 capital adequacy ratio ⁽¹⁰⁾	13.72	14.27	13.45
Capital adequacy ratio ⁽¹⁰⁾	16.00	16.77	15.39
Total equity to total assets ratio	8.30	8.94	8.47
Risk-weighted assets to total assets ratio	59.70	61.83	62.06

Notes: * indicates annualised ratios.

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

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

- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less taxes and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

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

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the six months ended 30 June 2020 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Overview of Business Operation

In the first half of the year, against the backdrop of the COVID-19 outbreak and complicated, severe situations at home and abroad, the Bank faithfully implemented decisions and plans made by the Party Central Committee and the State Council, remained committed to the underlying principle of pursuing progress while ensuring stability, made coordinated efforts to the containment of the COVID-19 while ensuring financial support and business development. The Bank has given a qualified answer to this major battle and test, fulfilling its responsibility as a major bank and maintaining steady development.

The Bank's business fundamentals remained stable. The Group reported a net profit before provision of RMB314,807 million, representing an increase of 2.1% compared with the same period of last year, and an operating income of RMB402,346 million, representing an increase of 2.1% compared with the same period of last year. The Bank actively made interest concessions to boost the real economy, with the net profit down 11.2% over the same period of last year. The asset quality remained stable overall. The Group's NPL ratio was 1.50% at the end of June, up 0.07 percentage points from the end of last year. The ratio of overdue loans was 1.37%, down 0.23 percentage points from the end of last year. The "scissors difference" between overdue loans and NPLs turned negative for the first time. The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker* of the United Kingdom for the eighth consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the fourth consecutive year.

Serving the real economy with higher efficiency and precision. The Bank provided innovative services and made well-targeted efforts to ensure the stability on six fronts and security in six areas. Financing was strengthened to implement the counter-cyclical regulation policies. New domestic RMB loans amounted to RMB1,095,948 million in the first half of the year, up 7.3% over the end of last year, indicating a year-on-year increase of RMB312,652 million compared with the new RMB loans at the end of the first half of last year. The Bank added RMB467.3 billion of investment in local government bonds and underwrote RMB911.1 billion of bonds as lead underwriter, both ranked first in the market. The Bank launched the “Chunrun Action” to support resumption of business activities, the “Chunrong Action” to help stabilize foreign trade and foreign investment, the special action supporting economic and social development of Hubei Province and the financing action for five healthcare fields¹. A total of RMB1.2 trillion of financing was provided to support reopening of the economy. Financial services were strengthened for key fields and weaker segments. Corporate loans granted to manufacturing rose by RMB229.2 billion, including RMB82.8 billion of medium to long-term loans. The deferred repayment policy was well implemented. More inclusive finance was granted to a broader range of borrowers at lower interest rates, with inclusive loans growing by RMB168,408 million. The average interest rate of new inclusive loans fell by 37 basis points over the prior year to 4.15%. Loans to private enterprises increased by RMB187,447 million. To bring the poverty alleviation initiatives to a satisfactory conclusion, the Bank launched the “Chunnuan Action” for poverty alleviation through consumption, which reached RMB792 million.

Risk management was strengthened on all fronts. The Bank formulated guidelines for the Group’s risk governance system, and improved the global, comprehensive and brand-new risk management system involving all personnel, spanning all processes and covering all risk exposures under the principles of “active prevention, smart control and comprehensive management”. Credit risk control was strengthened by creating the intelligent credit risk management solutions of “Three Gates” and “Seven-color Pools”². New rules for credit approval were implemented and credit risk mitigation was improved. The Bank recovered and disposed of RMB104.2 billion NPLs, with the increment increased by RMB12.2 billion compared to the same period of last year. Coordinated efforts were made to manage interest rate, exchange rate and liquidity risks, with a 24-hour mark-to-market mechanism established for proper response to the violent global market fluctuations. The “Year of Policy Governance” thematic event for internal control and compliance was carried out to deepen compliance management at home and abroad.

¹ The five healthcare fields refer to hospitals, medical research organizations, drug and medical device manufacturers, drug trading and medical, epidemic containment and public health infrastructures etc.

² The intelligent credit risk management solutions of “Three Gates” and “Seven-color Pools” are the systematic summary of the Bank’s management and control ideas on credit risk. “Three Gates” refer to asset selection at the entrance end, asset management at the threshold end and asset disposal at the exit end. “Seven-color Pools” cover seven color pools with risk rating from low to high, which are driven by intelligent risk control and can strengthen holistic coordination of the credit risk management and realize differential and precise risk management by pool, area and segment.

Transformation was sped up. The overall business vitality was boosted by the implementation of major strategies, reforms and innovations. Domestic RMB deposits (including interbank deposits) rose by RMB2.52 trillion, ranked first in the market. The strategy of “No. 1 Personal Bank” made a good start. The number of personal customers increased by 14.00 million to 664 million. The Bank established the overall strategic framework for becoming the preferred bank for domestic foreign exchange business. The strategy of serving regional coordinated development of the country began to bear fruit. The e-ICBC strategy was upgraded. FinTech was leveraged to empower business development and build the best customer experience. A closed-loop marketing service system connecting G, B and C ends was preliminarily established in line with the rule of social fund flows and customer demand changes. Intra-group collaboration was enhanced to build a new ecosphere of international and diversified development.

4. Discussion and Analysis

4.1 Income Statement Analysis

In the first half of 2020, the Bank actively carried out and moved forward the policy requirements in fighting against COVID-19, supporting the real economy, making fee reduction and interest concessions and defusing risks, and maintained steady business overall. The Bank realized a net profit of RMB149,796 million in the first half of 2020, representing a decrease of 11.2% as compared to the same period of last year. Annualised return on average total assets stood at 0.95%, and annualised return on weighted average equity was 11.70%. Operating income amounted to RMB402,346 million, recording an increase of 2.1%. Specifically, net interest income was RMB306,549 million, growing by 2.4%. Non-interest income reached RMB95,797 million, rising by 0.9%. Operating expenses amounted to RMB87,925 million, representing an increase of 0.9%, and the cost-to-income ratio was 20.76%. Impairment losses on assets were RMB125,456 million, indicating an increase of 26.5%. Income tax expense decreased by 2.4% to RMB39,555 million.

Net Interest Income

In the first half of 2020, net interest income amounted to RMB306,549 million, representing an increase of RMB7,248 million or 2.4% compared to the same period of last year, mainly due to the increase in investment and financing support for the real economy and total interest-generating assets. Interest income amounted to RMB529,790 million, growing by RMB21,633 million or 4.3%, and interest expenses rose by RMB14,385 million or 6.9% to RMB223,241 million. The Bank continued to make interest concessions for the real economy, further lower the financing costs for enterprises and speed up the pricing benchmark switch to Loan Prime Rate (LPR). Net interest spread and net interest margin came at 1.98% and 2.13%, 15 basis points and 16 basis points lower than those of the same period of last year, respectively.

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	16,988,463	368,997	4.37	15,565,865	347,076	4.50
Investment	6,776,476	118,487	3.52	5,959,219	107,102	3.62
Due from central banks ⁽²⁾	2,870,026	20,927	1.47	2,987,287	22,923	1.55
Due from banks and other financial institutions ⁽³⁾	<u>2,239,422</u>	<u>21,379</u>	1.92	<u>1,861,237</u>	<u>31,056</u>	3.36
Total interest-generating assets	<u>28,874,387</u>	<u>529,790</u>	3.69	<u>26,373,608</u>	<u>508,157</u>	3.89
Non-interest-generating assets	2,892,234			2,801,819		
Allowance for impairment losses on assets	<u>(485,382)</u>			<u>(449,670)</u>		
Total assets	<u>31,281,239</u>			<u>28,725,757</u>		
Liabilities						
Deposits	21,881,254	177,272	1.63	20,298,590	158,304	1.57
Due to banks and other financial institutions ⁽³⁾	3,284,237	29,723	1.82	2,618,923	32,161	2.48
Debt securities issued	<u>1,018,414</u>	<u>16,246</u>	3.21	<u>1,010,266</u>	<u>18,391</u>	3.67
Total interest-bearing liabilities	<u>26,183,905</u>	<u>223,241</u>	1.71	<u>23,927,779</u>	<u>208,856</u>	1.76
Non-interest-bearing liabilities	<u>2,170,326</u>			<u>2,150,512</u>		
Total liabilities	<u>28,354,231</u>			<u>26,078,291</u>		
Net interest income		306,549			299,301	
Net interest spread			1.98			2.13
Net interest margin			2.13			2.29

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

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

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

Interest Income

◆ *Interest Income on Loans and Advances to Customers*

Interest income on loans and advances to customers was RMB368,997 million, RMB21,921 million or 6.3% higher as compared to the same period of last year, as affected by the increase in loans and advances to customers.

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,401,926	61,109	3.61	3,260,250	65,692	4.06
Medium to long-term loans	13,586,537	307,888	4.56	12,305,615	281,384	4.61
Total loans and advances to customers	<u>16,988,463</u>	<u>368,997</u>	4.37	<u>15,565,865</u>	<u>347,076</u>	4.50

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

In RMB millions, except for percentages

Item	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	9,170,420	198,996	4.36	8,463,506	189,388	4.51
Discounted bills	455,433	6,254	2.76	348,872	6,182	3.57
Personal loans	5,980,945	139,885	4.70	5,354,568	121,855	4.59
Overseas business	1,381,665	23,862	3.47	1,398,919	29,651	4.27
Total loans and advances to customers	16,988,463	368,997	4.37	15,565,865	347,076	4.50

◆ *Interest Income on Investment*

Interest income on investment amounted to RMB118,487 million, representing an increase of RMB11,385 million or 10.6% as compared to the same period of last year, mainly due to the increase in investment.

◆ *Interest Income on Due from Central Banks*

Interest income on due from central banks was RMB20,927 million, representing a decrease of RMB1,996 million or 8.7% as compared to the same period of last year, mainly due to the adjustment of mandatory reserve requirement ratio and interest rate reduction on excess reserves.

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

Interest income on due from banks and other financial institutions was RMB21,379 million, representing a decrease of RMB9,677 million or 31.2% as compared to the same period of last year, principally due to the overall sharp decline in the money market interest rate in the first half of the year.

Interest Expense

◆ *Interest Expense on Deposits*

Interest expense on deposits amounted to RMB177,272 million, representing an increase of RMB18,968 million or 12.0% as compared to the same period of last year, mainly due to the expansion in the size of due to customers and the rise of average cost.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,536,974	53,725	2.38	4,401,246	51,813	2.37
Demand deposits	<u>6,427,278</u>	<u>24,832</u>	0.78	<u>6,239,762</u>	<u>23,203</u>	0.75
Subtotal	<u>10,964,252</u>	<u>78,557</u>	1.44	<u>10,641,008</u>	<u>75,016</u>	1.42
Personal deposits						
Time deposits	5,613,283	81,222	2.91	5,052,482	65,759	2.62
Demand deposits	<u>4,382,010</u>	<u>8,560</u>	0.39	<u>3,814,418</u>	<u>7,449</u>	0.39
Subtotal	<u>9,995,293</u>	<u>89,782</u>	1.81	<u>8,866,900</u>	<u>73,208</u>	1.66
Overseas business	<u>921,709</u>	<u>8,933</u>	1.95	<u>790,682</u>	<u>10,080</u>	2.57
Total deposits	<u>21,881,254</u>	<u>177,272</u>	1.63	<u>20,298,590</u>	<u>158,304</u>	1.57

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

Interest expense on due to banks and other financial institutions was RMB29,723 million, representing a decrease of RMB2,438 million or 7.6% as compared to the same period of last year, principally due to the overall sharp decline in the money market interest rate in the first half of the year.

◆ *Interest Expense on Debt Securities Issued*

Interest expense on debt securities issued was RMB16,246 million, indicating a decrease of RMB2,145 million or 11.7% over the same period of last year, mainly attributable to the slight decrease in the size and interest rates of certificates of deposit issued by overseas institutions.

Non-interest Income

In the first half of 2020, non-interest income increased by RMB895 million or 0.9% to RMB95,797 million, accounting for 23.8% of the Bank's operating income. Specifically, net fee and commission income grew by 0.5% to RMB88,900 million, and other non-interest income increased by 7.7% to RMB6,897 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended	Six months ended	Increase/ (decrease)	Growth rate (%)
	30 June 2020	30 June 2019		
Bank card business	23,366	22,480	886	3.9
Settlement, clearing business and cash management	20,216	20,544	(328)	(1.6)
Personal wealth management and private banking services	15,274	15,501	(227)	(1.5)
Investment banking business	14,796	15,037	(241)	(1.6)
Guarantee and commitment business	7,672	7,808	(136)	(1.7)
Corporate wealth management services	7,622	7,504	118	1.6
Asset custody business	4,020	3,986	34	0.9
Trust and agency services	1,057	1,010	47	4.7
Others	1,593	1,378	215	15.6
Fee and commission income	95,616	95,248	368	0.4
Less: Fee and commission expense	6,716	6,747	(31)	(0.5)
Net fee and commission income	88,900	88,501	399	0.5

The Bank highly focused on serving the real economy and satisfying the financial needs of consumers, and made continuous efforts to promote the transformation and innovation of fee-based business. In the first half of 2020, the Bank's net fee and commission income hit RMB88,900 million, representing an increase of RMB399 million or 0.5% as compared to the same period of last year. The bank card business income recorded an increase of RMB886 million, as mainly benefited by the increase in credit card installment income. The income from corporate wealth management services recorded an increase of RMB118 million, mainly due to the increase in income from agency precious metal business, corporate wealth management products sales and underwriting of financial bonds. Income from others climbed by RMB215 million, principally because the expanded size of pension business drove the income increase. Though hit by the COVID-19 pandemic, the Bank adhered to the business transformation and implemented policies like fee reduction and interest concessions. As a result, the income from settlement, clearing business and cash management, private banking services, investment banking business, guarantee and commitment business etc. decreased as compared to the same period of last year.

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

Item	Six months ended	Six months ended	Increase/ (decrease)	Growth rate (%)
	30 June 2020	30 June 2019		
Net trading (expense)/income	(1,635)	5,873	(7,508)	(127.8)
Net gain/(loss) on financial investments	7,987	(3,424)	11,411	N/A
Other operating income, net	545	3,952	(3,407)	(86.2)
Total	6,897	6,401	496	7.7

Other non-interest related gains amounted to RMB6,897 million, representing an increase of RMB496 million or 7.7% as compared to the same period of last year. Among these, net trading expense was mainly due to the fluctuation of commodity trading prices; the increase in net gain on financial investments was primarily a result of the rise of income from financial commodity trading; the reduction in other net operating income was mainly because the external environment and business transformation caused the decrease in single premium income of ICBC-AXA Assurance Co., Ltd.

Operating Expenses

In RMB millions, except for percentages

Item	Six months ended	Six months ended	Increase/ (decrease)	Growth rate (%)
	30 June 2020	30 June 2019		
Staff costs	54,938	56,220	(1,282)	(2.3)
Property and equipment expenses	12,574	12,355	219	1.8
Taxes and surcharges	4,406	3,851	555	14.4
Amortisation	1,171	1,188	(17)	(1.4)
Others	14,836	13,540	1,296	9.6
Total	87,925	87,154	771	0.9

The Bank continued to enhance the sophisticated management of expenses. The operating expenses amounted to RMB87,925 million, representing an increase of RMB771 million or 0.9% as compared to the same period of last year.

Impairment Losses on Assets

In the first half of 2020, the Bank continued to enhance its risk compensation capability and set aside the impairment losses on assets of RMB125,456 million, an increase of RMB26,276 million or 26.5% as compared to the same period of last year. Specifically, the impairment losses on loans was RMB111,705 million, indicating an increase of RMB19,809 million or 21.6%.

Income Tax Expense

Income tax expense decreased by RMB964 million or 2.4% to RMB39,555 million as compared to the same period of last year. The effective tax rate was 20.89%.

4.2 Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	402,346	100.0	394,203	100.0
Corporate banking	200,773	49.9	203,670	51.7
Personal banking	156,888	39.0	144,228	36.6
Treasury operations	42,476	10.6	44,231	11.2
Others	2,209	0.5	2,074	0.5
Profit before taxation	189,351	100.0	209,209	100.0
Corporate banking	77,613	41.0	87,516	41.8
Personal banking	78,123	41.3	83,896	40.1
Treasury operations	34,301	18.1	37,671	18.0
Others	(686)	(0.4)	126	0.1

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
Operating income	402,346	100.0	394,203	100.0
Head Office	55,780	13.9	55,846	14.2
Yangtze River Delta	66,464	16.5	66,387	16.8
Pearl River Delta	51,869	12.9	50,558	12.8
Bohai Rim	71,327	17.7	71,715	18.3
Central China	49,843	12.4	46,947	11.9
Western China	60,854	15.1	57,473	14.6
Northeastern China	15,610	3.9	14,777	3.7
Overseas and others	30,599	7.6	30,500	7.7
Profit before taxation	189,351	100.0	209,209	100.0
Head Office	19,503	10.3	33,466	16.0
Yangtze River Delta	32,900	17.4	40,671	19.4
Pearl River Delta	27,560	14.6	26,551	12.7
Bohai Rim	36,250	19.1	32,585	15.6
Central China	21,386	11.3	23,110	11.0
Western China	29,897	15.8	29,683	14.2
Northeastern China	6,150	3.2	3,507	1.7
Overseas and others	15,705	8.3	19,636	9.4

4.3 Balance Sheet Analysis

In the first half of 2020, in response to the hit of COVID-19 pandemic and the complicated development trends externally, the Bank promoted the growth and structure optimization of total assets and liabilities and comprehensively improved its performance in serving the real economy based on the macroeconomic policies and the demand of the real economy. Adhering to the development strategy of integrated investment and financing, the Bank further made the financial services for the real economy more adaptable and inclusive, consolidated the deposit business development foundation and its competitive advantage in the deposit market, promoted balanced development of amounts and prices of assets and liabilities, and spared no efforts to reduce financing costs of the real economy.

Assets Deployment

As at the end of June 2020, total assets of the Bank amounted to RMB33,112,010 million, RMB3,002,574 million or 10.0% higher than that at the end of the prior year. Specifically, total loans and advances to customers (collectively referred to as “total loans”) increased by RMB1,214,333 million or 7.2% to RMB17,975,652 million, investment increased by RMB718,476 million or 9.4% to RMB8,365,593 million, and cash and balances with central banks increased by RMB224,622 million or 6.8% to RMB3,542,538 million.

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	17,975,652	—	16,761,319	—
Add: Accrued interest	53,005	—	43,731	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	525,327	—	478,498	—
Net loans and advances to customers	17,503,330	52.9	16,326,552	54.2
Investment	8,365,593	25.3	7,647,117	25.4
Cash and balances with central banks	3,542,538	10.7	3,317,916	11.0
Due from banks and other financial institutions	1,243,071	3.8	1,042,368	3.5
Reverse repurchase agreements	1,371,519	4.1	845,186	2.8
Others	1,085,959	3.2	930,297	3.1
Total assets	<u>33,112,010</u>	<u>100.0</u>	<u>30,109,436</u>	<u>100.0</u>

Loan

In the first half of 2020, focusing on the tasks in ensuring stability on six fronts and security in six areas, the Bank, on the premise of keeping basic stability of the overall credit policy, timely adjusted the credit tactics, satisfied the epidemic prevention and control, the resumption of work and production, emergency loans, and postponed repayment of principal and interest and other funding needs at the special phase, actively supported the development of the real economy, and increased credit support for private enterprises and inclusive finance. As at the end of June 2020, total loans amounted to RMB17,975,652 million, RMB1,214,333 million or 7.2% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB16,019,716 million, RMB1,095,948 million or 7.3% higher than that at the end of 2019.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	10,774,963	59.9	9,955,821	59.4
Discounted bills	430,758	2.4	421,874	2.5
Personal loans	6,769,931	37.7	6,383,624	38.1
Total	17,975,652	100.0	16,761,319	100.0

Corporate loans rose by RMB819,142 million or 8.2% from the end of last year. The Bank continuously supported major projects and people's livelihood projects in the areas of the construction of new type urbanization, urban infrastructure and public services, and investment and financing demands of the projects under construction, enhanced the support for high quality credit market of manufacturing and promoted the competitiveness of the domestic trade finance business products, thus loans maintained a fast growth in the national strategic regions like Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Beijing-Tianjin-Hebei Region, Central China and Chengdu-Chongqing Economic Circle.

Personal loans increased by RMB386,307 million or 6.1% compared with the end of last year. Specifically, residential mortgages grew by RMB320,277 million or 6.2%; personal business loans increased by RMB89,263 million or 25.8%, primarily attributable to the rapid growth of Quick Lending for Operation, e-Mortgage Quick Loan and other online loan products in the inclusive finance.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	17,272,255	96.09	16,066,266	95.86
Special mention	433,436	2.41	454,866	2.71
NPLs	269,961	1.50	240,187	1.43
Substandard	148,494	0.83	97,864	0.58
Doubtful	103,115	0.57	113,965	0.68
Loss	18,352	0.10	28,358	0.17
Total	17,975,652	100.00	16,761,319	100.00

The quality of loans remained stable generally. As at the end of June 2020, according to the five-category classification, pass loans amounted to RMB17,272,255 million, representing an increase of RMB1,205,989 million compared to the end of the previous year and accounting for 96.09% of total loans. Special mention loans amounted to RMB433,436 million, representing a decrease of RMB21,430 million and accounting for 2.41% of total loans, dropping 0.30 percentage points. NPLs amounted to RMB269,961 million, showing an increase of RMB29,774 million, and NPL ratio was 1.50%, with an increase of 0.07 percentage points.

DISTRIBUTION OF LOANS AND NPLS

In RMB millions, except for percentages

Item	At 30 June 2020				At 31 December 2019			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	10,774,963	59.9	225,245	2.09	9,955,821	59.4	200,722	2.02
Short-term corporate loans	2,735,356	15.2	117,931	4.31	2,458,321	14.7	108,671	4.42
Medium to long-term corporate loans	8,039,607	44.7	107,314	1.33	7,497,500	44.7	92,051	1.23
Discounted bills	430,758	2.4	623	0.14	421,874	2.5	623	0.15
Personal loans	6,769,931	37.7	44,093	0.65	6,383,624	38.1	38,842	0.61
Residential mortgages	5,486,556	30.5	15,772	0.29	5,166,279	30.8	11,679	0.23
Personal consumption loans	190,441	1.1	3,771	1.98	193,516	1.2	4,459	2.30
Personal business loans	435,159	2.4	7,135	1.64	345,896	2.1	7,710	2.23
Credit card overdraft	657,775	3.7	17,415	2.65	677,933	4.0	14,994	2.21
Total	17,975,652	100.0	269,961	1.50	16,761,319	100.0	240,187	1.43

Corporate NPLs were RMB225,245 million, representing a NPL ratio of 2.09%. Personal NPLs stood at RMB44,093 million, representing a NPL ratio of 0.65%.

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

In RMB millions, except for percentages

Item	At 30 June 2020				At 31 December 2019			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	2,270,350	24.4	19,457	0.86	2,131,892	24.9	17,466	0.82
Manufacturing	1,604,220	17.1	68,306	4.26	1,445,154	16.9	73,976	5.12
Leasing and commercial services	1,327,291	14.2	20,429	1.54	1,187,749	13.9	11,664	0.98
Water, environment and public utility management	1,050,689	11.2	6,557	0.62	910,504	10.6	4,122	0.45
Production and supply of electricity, heat, gas and water	949,124	10.1	2,561	0.27	934,414	10.9	1,900	0.20
Real estate	680,206	7.3	9,624	1.41	638,055	7.5	10,936	1.71
Wholesale and retail	449,163	4.8	57,848	12.88	406,532	4.7	42,492	10.45
Construction	273,794	2.9	5,288	1.93	252,104	2.9	5,344	2.12
Science, education, culture and sanitation	235,006	2.5	3,656	1.56	208,560	2.4	3,214	1.54
Mining	176,183	1.9	7,860	4.46	166,434	2.0	7,305	4.39
Lodging and catering	88,635	0.9	10,697	12.07	88,448	1.0	7,163	8.10
Others	255,052	2.7	3,726	1.46	190,096	2.3	6,511	3.43
Total	9,359,713	100.0	216,009	2.31	8,559,942	100.0	192,093	2.24

The Bank continued to improve and adjust the allocation of credits to industries, and spared no effort to provide more support to the real economy development, and funded major enterprises dedicated to the pandemic prevention and control with all strength. Specifically, loans to manufacturing increased by RMB159,066 million or 11.0% over the end of last year, mainly for pandemic prevention and control, relevant supplies, as well as for capital turnover and reserve in business resumption. Loans to water, environment and public utility management increased by RMB140,185 million, representing a growth rate of 15.4%, mainly for steadily meeting investment and financing demands arising from significant projects and projects for people's livelihood in the areas of urban infrastructure, environmental protection and public services. Loans to leasing and commercial services increased by RMB139,542 million, representing a growth rate of 11.7%, mainly due to fast growth in commercial services including investment and asset management and development zones etc. Loans to transportation, storage and postal services increased by RMB138,458 million, representing a growth rate of 6.5%, mainly to provide more credit support for major projects in such fields as highway and railway.

Severely affected by the COVID-19 outbreak, certain loans to wholesale and retail, leasing and commercial services turned non-performing, leading to a faster rise in the balance of NPLs.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2020				At 31 December 2019			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	756,366	4.2	22,931	3.03	774,578	4.6	20,725	2.68
Yangtze River Delta	3,415,230	19.0	43,930	1.29	3,124,793	18.6	26,024	0.83
Pearl River Delta	2,575,490	14.3	26,343	1.02	2,341,370	14.0	23,629	1.01
Bohai Rim	2,925,074	16.3	60,672	2.07	2,739,585	16.3	49,037	1.79
Central China	2,666,243	14.8	35,444	1.33	2,445,215	14.7	35,638	1.46
Western China	3,239,846	18.0	44,752	1.38	2,991,010	17.8	40,164	1.34
Northeastern China	820,730	4.6	26,198	3.19	798,691	4.8	35,944	4.50
Overseas and others	1,576,673	8.8	9,691	0.61	1,546,077	9.2	9,026	0.58
Total	17,975,652	100.0	269,961	1.50	16,761,319	100.0	240,187	1.43

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Item	Movements of allowance for impairment losses on loans and advances to customers measured at amortised cost				Movements of allowance for impairment losses on loans and advances to customers measured at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	215,316	78,494	184,688	478,498	227	-	5	232
Transfer:								
to stage 1	15,048	(13,555)	(1,493)	-	-	-	-	-
to stage 2	(4,643)	6,233	(1,590)	-	-	-	-	-
to stage 3	(1,766)	(28,635)	30,401	-	-	-	-	-
Charge	56,921	24,949	29,801	111,671	34	-	-	34
Write-offs and transfer out	-	-	(65,739)	(65,739)	-	-	-	-
Recoveries of loans and advances previously written off	-	-	1,920	1,920	-	-	-	-
Other movements	89	(75)	(1,037)	(1,023)	0	-	-	0
Balance at 30 June 2020	280,965	67,411	176,951	525,327	261	-	5	266

At the end of June 2020, the allowance for impairment losses on loans stood at RMB525,593 million, of which RMB525,327 million on loans measured at amortised cost, and RMB266 million on loans measured at fair value through other comprehensive income. Allowance to NPLs was 194.69%, and allowance to total loans ratio was 2.92%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	8,378,844	46.6	7,884,774	47.1
Pledged loans	1,491,265	8.3	1,427,911	8.5
Guaranteed loans	2,229,901	12.4	2,078,921	12.4
Unsecured loans	5,875,642	32.7	5,369,713	32.0
Total	17,975,652	100.0	16,761,319	100.0

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 30 June 2020		At 31 December 2019	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	78,351	0.44	83,084	0.50
3 months to 1 year	79,332	0.44	89,625	0.53
1 to 3 years	67,660	0.38	66,848	0.40
Over 3 years	20,134	0.11	28,659	0.17
Total	245,477	1.37	268,216	1.60

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

Overdue loans stood at RMB245,477 million, representing a drop of RMB22,739 million from the end of the previous year. Among them, loans overdue for over 3 months amounted to RMB167,126 million, representing a decrease of RMB18,006 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB9,682 million, representing an increase of RMB2,363 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB2,324 million, representing an increase of RMB989 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.3% and 13.3% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single customers was RMB421,454 million, accounting for 2.3% of the total loans.

Investment

In the first half of 2020, the Bank appropriately increased the investment and actively supported the development of the real economy. As at the end of June 2020, investment amounted to RMB8,365,593 million, representing an increase of RMB718,476 million or 9.4% from the end of the previous year. Among these, bonds rose by RMB698,390 million or 10.2% to RMB7,561,240 million.

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	7,561,240	90.4	6,862,850	89.7
Equity instruments	148,053	1.8	135,882	1.8
Funds and others ⁽¹⁾	555,119	6.6	558,366	7.3
Accrued interest	101,181	1.2	90,019	1.2
Total	8,365,593	100.0	7,647,117	100.0

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

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	5,343,683	70.7	4,767,297	69.5
Central bank bonds	33,086	0.4	21,979	0.3
Policy bank bonds	716,657	9.5	652,522	9.5
Other bonds	1,467,814	19.4	1,421,052	20.7
Total	7,561,240	100.0	6,862,850	100.0

In terms of distribution by issuers, the Bank proactively supported the development of the real economy, and therefore government bonds increased by RMB576,386 million or 12.1% over the end of last year; central bank bonds increased by RMB11,107 million or 50.5%; policy bank bonds went up by RMB64,135 million or 9.8%; and other bonds increased by RMB46,762 million or 3.3%.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	6,888,149	91.1	6,221,395	90.7
USD-denominated bonds	449,733	5.9	439,219	6.4
Other foreign currency bonds	223,358	3.0	202,236	2.9
Total	<u>7,561,240</u>	<u>100.0</u>	<u>6,862,850</u>	<u>100.0</u>

In terms of currency structure, RMB-denominated bonds rose by RMB666,754 million or 10.7% over the end of last year. USD-denominated bonds increased by an equivalent of RMB10,514 million, up 2.4%; other foreign currency bonds increased by an equivalent of RMB21,122 million or 10.4%. During the reporting period, the Bank improved the investment portfolio structure of foreign currency bonds and properly increased the investment in bonds denominated in other currencies.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	1,023,536	12.2	962,078	12.6
Financial investments measured at fair value through other comprehensive income	1,527,183	18.3	1,476,872	19.3
Financial investments measured at amortised cost	5,814,874	69.5	5,208,167	68.1
Total	<u>8,365,593</u>	<u>100.0</u>	<u>7,647,117</u>	<u>100.0</u>

As at the end of June, the Group held RMB1,453,473 million of financial bonds¹, including RMB716,657 million of policy bank bonds and RMB736,816 million of bonds issued by banks and non-bank financial institutions, accounting for 49.3% and 50.7% of financial bonds, respectively.

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

Reverse Repurchase Agreements

The reverse repurchase agreements were RMB1,371,519 million, an increase of RMB526,333 million or 62.3% compared to the end of last year, mainly because liquidity was reasonably sufficient and the Bank appropriately increased the amount of money lent to the market.

Liabilities

As at the end of June 2020, total liabilities reached RMB30,365,254 million, an increase of RMB2,947,821 million or 10.8% compared with the end of last year.

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	25,067,870	82.6	22,977,655	83.8
Due to banks and other financial institutions	2,973,637	9.8	2,266,573	8.3
Repurchase agreements	250,847	0.8	263,273	1.0
Debt securities issued	726,613	2.4	742,875	2.7
Others	1,346,287	4.4	1,167,057	4.2
Total liabilities	<u>30,365,254</u>	<u>100.0</u>	<u>27,417,433</u>	<u>100.0</u>

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of June 2020, the balance of due to customers was RMB25,067,870 million, RMB2,090,215 million or 9.1% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits grew by RMB1,041,744 million or 8.7%; and the balance of personal deposits increased by RMB1,051,342 million or 10.0%. In terms of maturity structure, the balance of time deposits rose by RMB971,230 million or 8.5%, while the balance of demand deposits grew by RMB1,121,856 million or 10.1%. In terms of currency structure, RMB deposits stood at RMB23,450,436 million, an increase of RMB1,941,281 million or 9.0%. Foreign currency deposits were equivalent to RMB1,617,434 million, an increase of RMB148,934 million or 10.1%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	5,677,555	22.6	5,295,704	23.0
Demand deposits	7,392,451	29.5	6,732,558	29.3
Subtotal	13,070,006	52.1	12,028,262	52.3
Personal deposits				
Time deposits	6,739,033	26.9	6,149,654	26.8
Demand deposits	4,790,053	19.1	4,328,090	18.8
Subtotal	11,529,086	46.0	10,477,744	45.6
Other deposits⁽¹⁾	228,159	0.9	234,852	1.0
Accrued interest	240,619	1.0	236,797	1.1
Total	25,067,870	100.0	22,977,655	100.0

Note: (1) Includes outward remittance and remittance payables.

Due to Banks and Other Financial Institutions

Due to banks and other financial institutions was RMB2,973,637 million, an increase of RMB707,064 million or 31.2% from the end of last year, mainly due to the increase in deposits from banks and other financial institutions.

Shareholders' Equity

As at the end of June 2020, shareholders' equity amounted to RMB2,746,756 million in aggregate, RMB54,753 million or 2.0% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB54,680 million or 2.0% to RMB2,730,866 million.

4.4 Capital Adequacy Ratio and Leverage Ratio

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

As at the end of June, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio stood at 12.70%, 13.72% and 16.00% respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2020	At 31 December 2019
Core tier 1 capital	2,526,951	2,472,774
Paid-in capital	356,407	356,407
Valid portion of capital reserve	148,563	149,067
Surplus reserve	292,625	292,149
General reserve	305,006	304,876
Retained profits	1,421,369	1,367,180
Valid portion of minority interests	4,079	4,178
Others	(1,098)	(1,083)
Core tier 1 capital deductions	15,725	15,500
Goodwill	9,128	9,038
Other intangible assets other than land use rights	3,604	2,933
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,987)	(4,451)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,511,226	2,457,274
Additional tier 1 capital	200,207	200,249
Additional tier 1 capital instruments and related premium	199,456	199,456
Valid portion of minority interests	751	793
Net tier 1 capital	2,711,433	2,657,523
Tier 2 capital	450,708	463,956
Valid portion of tier 2 capital instruments and related premium	252,624	272,680
Surplus provision for loan impairment	196,774	189,569
Valid portion of minority interests	1,310	1,707
Net capital base	3,162,141	3,121,479
Risk-weighted assets⁽¹⁾	19,769,139	18,616,886
Core tier 1 capital adequacy ratio	12.70%	13.20%
Tier 1 capital adequacy ratio	13.72%	14.27%
Capital adequacy ratio	16.00%	16.77%

Note: (1) Refers to risk-weighted assets after capital floor and adjustments.

LEVERAGE RATIO

Item	<i>In RMB millions, except for percentages</i>			
	At 30 June 2020	At 31 March 2020	At 31 December 2019	At 30 September 2019
Net tier 1 capital	2,711,433	2,744,542	2,657,523	2,636,734
Balance of adjusted on- and off-balance sheet assets	35,239,614	34,044,105	31,982,214	32,402,109
Leverage ratio	7.69%	8.06%	8.31%	8.14%

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for exogenous capital replenishment and continuously promoted the innovation of capital instruments, to reinforce the capital strength, optimize capital structure and control the cost of capital rationally.

The proposals on the issuance of domestic and offshore preference shares were reviewed and approved at the First Extraordinary General Meeting of 2018 of the Bank. In March and July 2020, the Bank received replies from China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission respectively, approving the issuance of no more than 300 million offshore preference shares with the proceeds not exceeding RMB30.0 billion equivalent of USD, which will be counted as the additional tier 1 capital of the Bank in accordance with relevant regulatory requirements.

The Annual General Meeting for the Year 2019 of the Bank considered and approved the Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds and Eligible Tier 2 Capital Instruments. The Bank planned to newly issue capital instruments with the total amount up to RMB80.0 billion equivalent, including undated additional tier 1 capital bonds in the offshore market in foreign currency of RMB40.0 billion equivalent, which will be used to replenish additional tier 1 capital of the Bank; and eligible tier 2 capital instruments of RMB40.0 billion or equivalent foreign currency in the domestic and offshore markets to replenish the Bank's tier 2 capital. The Annual General Meeting for the Year 2019 of the Bank considered and approved the Proposal on the Issuance of No More Than RMB90 Billion Eligible Tier 2 Capital Instruments. The Bank planned to newly issue eligible tier 2 capital instruments with the total amount up to RMB90.0 billion in the domestic market to replenish the Bank's tier 2 capital. The above-mentioned issuance plan on undated additional tier 1 capital bonds is still subject to the approval by the relevant regulatory authorities. In August 2020, the Bank received replies from China Banking and Insurance Regulatory Commission and People's Bank of China, approving the Bank to publicly issue tier 2 capital bonds of no more than RMB130.0 billion in China's national inter-bank bond market.

The Board of Directors of the Bank reviewed and approved the Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds on 28 August 2020. The Bank planned to issue undated additional tier 1 capital bonds of no more than RMB100.0 billion in domestic market, which will be used to replenish additional tier 1 capital of the Bank. The issuance plan for the undated additional tier 1 capital bonds is still subject to the approval of the Shareholders' General Meeting of the Bank, after which, it is still subject to the approval of the relevant regulatory authorities.

For details on the issuance of capital instruments of the Bank, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the "HKEXnews" website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	At 30 June 2020	At 31 December 2019	At 31 December 2018
Liquidity ratio (%)	RMB	>=25.0	43.1	43.0	43.8
	Foreign currency	>=25.0	93.1	85.9	83.0
Loan-to-deposit ratio (%)	RMB and foreign currency		70.6	71.6	71.0
Percentage of loans to single largest customer (%)		<=10.0	3.3	3.1	3.8
Percentage of loans to top 10 customers (%)			13.3	12.6	12.9
Loan migration ratio (%)	Pass		1.0	1.5	1.7
	Special mention		23.1	26.1	25.3
	Substandard		21.7	36.0	38.8
	Doubtful		3.6	15.6	25.2

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted or restated.

Corporate Bonds

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

4.6 Outlook

The global economy will face a variety of adversities in the second half of 2020, including sharp contraction in international trade and investment, turbulent international financial markets, restricted international exchange, economic de-globalization and rising geopolitical risks. With major strategic achievements made in COVID-19 containment, China is establishing a new development pattern in which domestic economic cycle functions as the main body and both domestic and international economic cycles promote each other, with domestic market as the mainstay. Development was accelerated in the fields of new infrastructure, new urbanization initiatives, transportation and water conservancy and major projects. Digital economy, smart manufacturing and biopharmaceuticals have become new drivers and poles of growth, paving the way for banks to turn crisis into an opportunity and changes into a new beginning.

In the second half of 2020, the Bank will remain guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strive for the goal of building a moderately prosperous society in all respects, follow the “48-character” guideline of “guidance of Party building and strict governance, customer first and serving the real economy, technology driven and value creation, international vision and global operation, pragmatic transformation and reform, solid foundation by risk control and talent-oriented development” and accurately understand the “**big, comprehensive, stable, new, optimal and strong**” orientation of development. Meanwhile, the Bank will make coordinated effort on regular COVID-19 containment, financial services and business development and provide financial services that are increasingly adaptive, competitive and inclusive. **First, the Bank will serve the real economy in a well-targeted manner.** The Bank will further implement the “Chunrun Action”, “Chunrong Action” and “Chunnuan Action”, reasonably manage the aggregate size, pace, destinations, structure and price of financing and make interest concessions to boost the real economy. Targeted and direct financial services will be used as the principal measure for ensuring the stability on six fronts and security in six areas. High-quality, efficient financial services will be provided to help shape the “dual circulation” development pattern. **Second, strategy implementation will be strengthened to sharpen the overall competitive edge.** The Bank will make all-out effort to build the No. 1 Personal Bank strategy, the preferred bank for domestic foreign exchange business strategy, and better serve China’s regional coordinated development strategy. The Bank will give full play to its strengths in corporate banking, institutional banking, financial markets, investment banking and asset management to generate synergies and multiplicative effects. **Third, a new ecosphere of international, diversified development will be built to enhance the integrated service capacity.** International, diversified development will be focused on meeting customers’ comprehensive financial demands. The Bank will move faster to build a comprehensive service system with complete functions, smooth collaboration and strong competitiveness, so as to provide one-stop financial service solutions to customers. **Fourth, transformation and innovation will be accelerated to secure the high ground in future competition.** The Bank will ride on the digital economy trends to pursue e-ICBC strategy upgrades, create novel digital development modes, introduce new products offering the best user experience, build new platforms for innovation empowerment and improve the new mechanisms for tech-driven development in an all-out effort to serve the “Digital China” initiative. **Fifth, the risk bottom line will be defended to keep risk response ahead of market curve.** The Bank will adhere to the “preventive, forward-

looking, remedial and analogical” approach to improve the global, comprehensive and brand-new risk management system involving all personnel, spanning all processes and covering all risk exposures under the principles of “active prevention, smart control and comprehensive management” and achieve sustainable growth through cycles to build a world-class and modern financial enterprise.

4.7 Hot Topics in the Capital Market

COVID-19 Impact and Response

The Bank has achieved initial success in containing the COVID-19 pandemic while serving the economic and social development in the first half of 2020.

- 1. Loans, bonds and other financing facilities were used to support resumption of business activities.** In the first half of 2020, the Bank’s domestic RMB loans increased by RMB1,095,948 million over the previous year, a year-on-year increase of RMB312,652 million. The investments in local government bonds and anti-epidemic bonds newly increased by RMB467.3 billion and RMB110.0 billion respectively.
- 2. The interest rate policy transmission was further strengthened to cut the financing costs in the real economy.** Loans were reasonably priced. In the first half of the year, new corporate loans were issued at much lower interest rates than last year. Outstanding loans were switched to the new pricing benchmark in a well-organized manner to effectively lower the financing costs for the real economy.
- 3. The repayment deferral policy was implemented to relieve the pressure of financially stressed customers.** The Bank helped corporate customers through difficulties by interest payment rescheduling, extension and refinance. Special relief and support policies were introduced for individual customers infected with COVID-19 or frontline medical workers.
- 4. All-out effort was made to ensure the public access to day-to-day financial services.** Physical outlets reasonably arranged business hours and maintained proper cleaning and disinfection to ensure public access to essential financial services. For online business, the Bank launched “contactless” service for LPR switch, corporate credit reference, online social security, online payroll service, online diagnosis and treatment and online education. In addition, the “Emergency Supply Management System” was developed and opened free of charge to key epidemic containment entities, including epidemic prevention and control centers, public health agencies and medical institutions. 3,111 entities were supported in the first half of the year, benefiting nearly 30,000 entities.
- 5. Domestic and overseas institutions joined the global fight against the pandemic.** After the domestic COVID-19 outbreak, domestic and overseas institutions of the Bank lent a hand to Wuhan and Hubei, donating over RMB230 million of cash and supplies in total. When the virus spread overseas, domestic institutions of the Bank purchased most wanted supplies for overseas institutions to support the host governments, local communities, local enterprises and overseas Chinese students in containing the coronavirus, and anti-epidemic lectures were given to overseas Chinese to build a community with shared future for mankind.

The pandemic sent the world economy into a serious recession, posing heavier pressure on banks' business operations and asset quality in 2020. In an effort to ensure the stability on six fronts and security in six areas, the Bank will serve the real economy by providing more and cheaper funding. General risk screening was conducted and loans were closely monitored using big data and other risk control technologies, thus ensuring early risk prevention and response and minimizing the risk of assets.

Serving the Real Economy and Unimpeded Flows

The Bank took a variety of positive and effective actions to implement the policies aimed at ensuring the stability on six fronts and security in six areas, support the real economy, ensure unimpeded flows, restore the industry chain ecosphere and support small and micro enterprises.

- 1. The “Chunrun Action” was launched to help bring enterprises back to business.** All at the Bank worked together and strengthened allocation of resources to boost the availability, quality and stability of financial services for resumption of business. In the first half of the year, the “Chunrun Action” provided RMB1.2 trillion of full-caliber financing to 41 thousand enterprises in seven major industries including the five healthcare fields, essential living supplies, transport and logistics, equipment manufacturing, energy and chemicals, telecom operation as well as foreign trade and investment.
- 2. The “Chunrong Action” was carried out to ensure stability of global supply chains.** The Bank put together its in-house resources and sought external cooperation to cut the financing costs of enterprises, support the restocking demand of upstream enterprises and relieving the liquidity pressure of downstream enterprises, in a bid to protect core enterprises from supply chain disruptions and upstream and downstream enterprises from liquidity drought. In the first half of the year, the Bank sorted out 1,072 importers, exporters and foreign enterprises hit by the pandemic, developed tailored assistance solutions for them and issued RMB211.7 billion of financing in RMB and foreign currencies.
- 3. The “Chunnuan Action” was launched to promote poverty alleviation through consumption and boost “micro-circulation”.** To relieve poverty-stricken areas from the COVID-19 shocks, the Bank’s “Chunnuan Action” connected overstocked agricultural products directly to buyers through various channels. In the first half of the year, this poverty alleviation through consumption program helped sell RMB792 million worth of products from poor areas. In addition, the Bank developed the “precision poverty alleviation + agricultural supply chain” service model and explored the “bank + insurance + futures” joint poverty alleviation model, thereby effectively helping the poor increase income and get rid of poverty steadily. The “finance + e-commerce” poverty alleviation mode was implemented. The Bank helped sell agricultural products from poor areas through ICBC Mall as a much broader channel. Over 3,800 poverty alleviation merchants registered with the platform in total.

4. **The industrial circulation was unblocked following the natural law of industry.** The Bank sorted out the trading, funding and credit chains among industries and enterprises, putting focus on removing major blockages, such as funds tied up by industry leaders or e-commerce platforms. In the first half of the year, the Bank issued RMB1.31 trillion of working capital financing to 10.5 thousand core enterprises that connected 32.1 thousand downstream and upstream businesses, thereby giving a boost to coordinated restoration of production of producers, suppliers and distributors (upstream and downstream, small, medium-sized and large, domestic and overseas).
5. **Inclusive finance support was strengthened in an all-round manner.** First, more inclusive loans were granted. At the end of the reporting period, the balance of inclusive loans stood at RMB639,929 million, up 35.7% from the beginning of the year. Second, manufacturers of anti-epidemic supplies were supported to resume business, with RMB13.5 billion of loans issued to 4,805 small and micro enterprises involved in epidemic containment in the first half of the year. Nearly RMB530.0 billion of loans were granted to 330 thousand small and micro enterprises back to business. Third, the Bank relieved enterprises from difficulties by a combination of loan renewal, extension, refinance, grace period and rescheduling. The small and micro customers hit hard by the COVID-19 were allowed to postpone their loan payments temporarily, thus easing their debt service pressure. Fourth, the financing costs of enterprises were reduced. The overall cost of inclusive loans issued in the first half of the year was lower than the prior-year level.

Credit and Market Risk Management

The Bank maintained generally stable quality of credit assets in the first half of 2020. Market risk experienced no major adverse changes.

1. **The credit asset quality remained generally stable.** Since the COVID-19 pandemic occurred, the Bank has carefully analyzed the risk strategy and maintained effective credit risk control while supporting the real economy and helping enterprises through temporary difficulties caused by the virus. At the end of the reporting period, the Bank recorded a NPL ratio of 1.50%, showing the overall credit risk in check.
 - (1) Ongoing investigation was made into the COVID-19 impact on customers and the resumption of their business. The Bank conducted ongoing risk screening, in the form of offsite sampling, over customers in respect of the pandemic impact on their business operations and debt service ability and their reopening of business, in an effort to control credit risk during regular epidemic containment.
 - (2) Enterprises were provided with debt service relief to promote faster, broader resumption of business. The Bank implemented the State's requirements on reducing enterprises' debt service pressure, adhered to the market-based and law-based principle, examined the eligibility of applicants with due care, assessed enterprises' restoration of business operations and cash flows with prudence and ensured the authenticity, integrity and validity of application materials. By doing so, the Bank allowed deferred debt service of troubled enterprises and brought more enterprises back to business in a faster pace.

(3) Risk prevention and control were strengthened over deferred loans. The Bank tracked and kept informed of changes in customers' operating conditions and debt service ability. The big data technology was leveraged to make cross-checks based on the fund flows, tax payment, utility bills, payroll service, customs data, People's Bank of China credit reports and ICBC e Security. Customers that resumed business well and remained able to service debts as usual were guided back gradually to normal principal repayment and interest payment to ensure absence of default risk. For customers with ordinary or poor restoration of business, a contingency plan was developed and risk mitigation strengthened.

2. Market risk experienced no major adverse changes. The Bank's activities exposed to market risk are mainly standard, low-risk ones, always following the market risk limit management system strictly. Since the COVID-19 outbreak, the Bank has strengthened market risk screening, kept worst-case scenarios in mind and conducted risk screening for every "grid cell" using the risk identification matrix, including product complexity, price volatility, market liquidity, exposure, trading strategy, trading venue, hedging and delivery method and counterparty type. No "Black Swan" events occurred in relevant fields. Value-at-risk (VaR) and capital occupation for market risk were stable in the first half of the year.

5. Information Disclosed Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional)

Capital Adequacy Ratio

◆ *Scope of Capital Adequacy Ratio Calculation*

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

◆ *Results of Capital Adequacy Ratio Calculation*

In RMB millions, except for percentages

Item	At 30 June 2020		At 31 December 2019	
	Group	Parent Company	Group	Parent Company
Net core tier 1 capital	2,511,226	2,267,449	2,457,274	2,222,316
Net tier 1 capital	2,711,433	2,447,728	2,657,523	2,403,000
Net capital base	3,162,141	2,884,246	3,121,479	2,852,663
Core tier 1 capital adequacy ratio	12.70%	12.69%	13.20%	13.29%
Tier 1 capital adequacy ratio	13.72%	13.70%	14.27%	14.37%
Capital adequacy ratio	16.00%	16.14%	16.77%	17.06%

◆ *Measurement of Risk-Weighted Assets*

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

RISK-WEIGHTED ASSETS

Item	In RMB millions	
	At 30 June 2020	At 31 December 2019
Credit risk-weighted assets	18,196,123	17,089,815
Parts covered by internal ratings-based approach	11,869,435	11,081,413
Parts uncovered by internal ratings-based approach	6,326,688	6,008,402
Market risk-weighted assets	224,663	178,718
Parts covered by internal model approach	145,651	102,412
Parts uncovered by internal model approach	79,012	76,306
Operational risk-weighted assets	1,348,353	1,348,353
Total	19,769,139	18,616,886

Credit Risk

CREDIT RISK EXPOSURE

Item	At 30 June 2020		At 31 December 2019	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	10,608,904	1,663,242	9,905,090	1,437,024
Sovereign	—	6,645,527	—	5,998,583
Financial institution	—	4,473,088	—	3,727,940
Retail	6,653,904	470,077	6,252,608	484,400
Equity	—	162,953	—	161,426
Asset securitization	—	96,516	—	97,663
Others	—	5,541,920	—	5,034,184
Total risk exposure	17,262,808	19,053,323	16,157,698	16,941,220

Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

Risk type	<i>In RMB millions</i>	
	At 30 June 2020	At 31 December 2019
Parts covered by internal model approach	11,652	8,193
Parts uncovered by internal model approach	6,321	6,104
Interest rate risk	3,356	3,306
Commodity risk	2,932	2,713
Stock risk	–	8
Option risk	33	77
Total	<u>17,973</u>	<u>14,297</u>

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

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

VALUE AT RISK (VAR)

Item	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
VaR	1,492	1,703	2,107	1,394	2,732	2,524	3,522	2,090
Interest rate risk	374	201	430	92	198	210	263	117
Currency risk	1,321	1,666	1,996	1,321	2,743	2,589	3,564	2,168
Commodity risk	142	122	261	40	65	61	83	15
Stressed VaR	1,492	1,716	2,107	1,394	4,295	3,973	4,295	3,772
Interest rate risk	374	262	430	153	228	248	326	139
Currency risk	1,329	1,752	2,082	1,329	4,194	3,877	4,194	3,654
Commodity risk	142	124	261	38	69	57	87	32

Operational Risk

The Bank adopted the standardized approach to measure capital requirement for operational risk. As at the end of June 2020, the capital requirement for operational risk was RMB107,868 million.

Interest Rate Risk in the Banking Book

Supposing that there is parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity in the banking book of the Bank categorized by major currencies at the end of June 2020 is shown in the following table:

In RMB millions

Currency	+100 basis points		-100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(38,897)	(29,444)	38,897	32,121
USD	(558)	(7,238)	558	7,243
HKD	(3,713)	(78)	3,713	78
Others	1,388	(1,516)	(1,388)	1,517
Total	(41,780)	(38,276)	41,780	40,959

Equity Risk in the Banking Book

In RMB millions

Equity type	At 30 June 2020			At 31 December 2019		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾
Financial institution	29,611	16,171	4,934	33,859	16,023	6,618
Corporate	6,752	112,168	210	3,537	108,007	(1,486)
Total	36,363	128,339	5,144	37,396	124,030	5,132

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

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

6. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

6.1 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 633,759 ordinary shareholders and no holders of preference shares with voting rights restored, including 119,193 holders of H shares and 514,566 holders of A shares.

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

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	<i>Unit: Share</i>
						Increase/decrease of shares during the reporting period
Central Huijin Investment Ltd.	State-owned	A Share	34.71	123,717,852,951	None	–
Ministry of Finance of the People's Republic of China	State-owned	A Share	31.14	110,984,806,678	None	–
HKSCC Nominees Limited ⁽²⁾	Foreign legal person	H Share	24.17	86,155,205,135	Unknown	2,056,094
National Council for Social Security Fund ⁽²⁾⁽³⁾	State-owned	A Share	3.46	12,331,645,186	None	–
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	–
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.68	2,416,131,564	None	–
Wutongshu Investment Platform Co., Ltd.	State-owned legal person	A Share	0.40	1,420,781,042	None	–
Hong Kong Securities Clearing Company Limited ⁽⁴⁾	Foreign legal person	A Share	0.34	1,196,317,917	None	-146,359,899
Central Huijin Asset Management Co., Ltd. ⁽⁴⁾	State-owned legal person	A Share	0.28	1,013,921,700	None	–
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.13	468,876,788	None	91,206,461

Notes: (1) The above data are based on the Bank's register of shareholders as at 30 June 2020.

- (2) HKSCC Nominees Limited held 86,155,205,135 H shares, including those held by National Council for Social Security Fund. According to the information provided by National Council for Social Security Fund to the Bank, National Council for Social Security Fund held 8,037,177,174 H shares of the Bank as at the end of the reporting period.

- (3) According to the Notice on Comprehensively Transferring Part of State-Owned Capital to Fortify Social Security Funds (Cai Zi [2019] No. 49), Ministry of Finance of the People's Republic of China transferred 12,331,645,186 shares to the state-owned capital transfer account of National Council for Social Security Fund in a lump sum in December 2019. According to the relevant requirements under the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), National Council for Social Security Fund shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares.
- (4) HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

6.2 Changes of the Controlling Shareholders and De Facto Controller

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

6.3 Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

As at 30 June 2020, the Bank received notices from the following persons about their interests or short positions held in the Bank's ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares ⁽²⁾ (%)	Percentage of total ordinary shares ⁽²⁾ (%)
Central Huijin Investment Ltd. ⁽¹⁾	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00
Ministry of Finance of the People's Republic of China	Beneficial owner	110,984,806,678	Long position	41.16	31.14

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2020, Central Huijin Investment Ltd. held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Central Huijin Investment Ltd., held 1,013,921,700 shares in the Bank.

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

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares ⁽³⁾ (%)	Percentage of total ordinary shares ⁽³⁾ (%)
Ping An Asset Management Co., Ltd. ⁽¹⁾	Investment manager	12,168,809,000	Long position	14.02	3.41
National Council for Social Security Fund ⁽²⁾	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
Citigroup Inc.	Interest of controlled corporations	192,139,691	Long position	0.22	0.05
	Approved lending agent	4,319,133,343	Long position	4.98	1.21
	Total	4,511,273,034		5.20	1.27
	Interest of controlled corporations	164,676,545	Short position	0.19	0.05
China Life Insurance (Group) Company	Beneficial owner	205,750,000	Long position	0.24	0.06
	Interest of controlled corporations	4,134,077,000	Long position	4.76	1.16
	Total	4,339,827,000	Long position	5.00	1.22

Notes: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 30 June 2020 (the date of relevant event being 12 June 2019). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

(2) According to the information provided by National Council for Social Security Fund to the Bank, National Council for Social Security Fund held 8,037,177,174 H shares of the Bank as at the end of the reporting period.

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

6.4 Preference Shares

◆ *Issuance and Listing of Preference Shares in Latest Three Years*

Issuance of “ 工行優 2”

With the approval of China Banking and Insurance Regulatory Commission by its Document Yin Bao Jian Fu [2019] No. 444 and the approval of China Securities Regulatory Commission by its Document Zheng Jian Xu Ke [2019] No. 1048, the Bank made a non-public issuance of 700 million domestic preference shares on 19 September 2019 at a par value of RMB100 per share. The dividend rate is the benchmark interest rate plus a fixed spread, remaining unchanged in the first five years. Subsequently the benchmark interest rate will be reset every five years, with the dividend rate kept unchanged in each reset period and the fixed spread remaining constant through the duration of the domestic preference shares. The initial dividend rate of the afore-mentioned domestic preference shares is set at 4.2% through market inquiry for the first five years. With the consent of Shanghai Stock Exchange by its letter Shang Zheng Han [2019] No. 1752, the afore-mentioned domestic preference shares issued were listed for transfer on the Comprehensive Business Platform of Shanghai Stock Exchange on 16 October 2019 with the stock name “ 工行優 2” and stock code 360036. Proceeds of the afore-mentioned domestic preference shares totaled RMB70.0 billion, all of which was replenished to the additional tier 1 capital of the Bank after deduction of issuance expenses.

For issuance of domestic preference shares of the Bank, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

◆ *Issuance progress of offshore preference shares*

The First Extraordinary General Meeting of 2018 of the Bank reviewed and approved proposals on issuance of domestic and offshore preference shares. In March and July 2020, the Bank received replies from China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission respectively, approving the issuance of no more than 300 million offshore preference shares with the proceeds not exceeding RMB30.0 billion equivalent of USD, which will be counted as the additional tier 1 capital of the Bank in accordance with relevant regulatory requirements. Please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

◆ *Number of Preference Shareholders and Particulars of Shareholding*

As at the end of the reporting period, the Bank had one offshore preference shareholder (or proxy) of “ICBC EURPREF1”, 26 domestic preference shareholders of “ 工行優 1” and 32 domestic preference shareholders of “ 工行優 2”.

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

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
The Bank of New York Depository (Nominees) Limited	Foreign legal person	EUR offshore preference shares	–	40,000,000	100.0	–	Unknown

- Notes:* (1) The above data are based on the Bank’s register of offshore preference shareholders as at 30 June 2020.
- (2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of placees.
- (3) The Bank is not aware of any connected relations or concert party action between the afore-mentioned preference shareholder and top 10 ordinary shareholders.
- (4) “Shareholding percentage” refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優 1”

Unit: Share

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

Notes: (1) The above data are based on the Bank’s register of domestic preference shareholders of “工行優 1” as at 30 June 2020.

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

(3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優 1” held by preference shareholders in total number (450 million shares) of domestic preference shares of “工行優 1”.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優 2”

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Bosera Asset Management Co., Limited	State-owned legal person	Domestic preference shares	–	150,000,000	21.4	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	120,000,000	17.1	–	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	100,000,000	14.3	–	None
BOC International (China) Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	7.1	–	None
Shanghai Tobacco Group Co., Ltd.	Other entities	Domestic preference shares	–	30,000,000	4.3	–	None
Bank of Beijing Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	20,000,000	2.9	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	2.1	–	None
Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	2.1	–	None

Notes: (1) The above data are based on the Bank’s register of domestic preference shareholders of “工行優 2” as at 30 June 2020.

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

(3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優 2” held by preference shareholders in total number (700 million shares) of domestic preference shares of “工行優 2”.

◆ *Dividend Distribution of Preference Shares*

During the reporting period, the Bank did not distribute dividends on preference share. The Bank reviewed and approved the distribution of dividends on “工行優2” at the meeting of the Board of Directors on 28 August 2020, planning to distribute the dividends on “工行優2” on 24 September 2020 at the dividend rate of 4.2% (pre-tax, and the tax payable on dividends received by holders of domestic preference shares should be borne by them in compliance with relevant laws and regulations) and the total dividends distributed were RMB2,940 million.

◆ *Redemption or Conversion of Preference Shares*

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

◆ *Restoration of Voting Rights of Preference Shares*

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

◆ *Accounting Policy Adopted for Preference Shares and Rationale*

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

7. Material Assets Acquisition, Sale and Merger

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

8. Other Information

8.1 Corporate Governance Code

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

8.2 Profits and Dividends Distribution

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

As approved at the Annual General Meeting for the Year 2019 held on 12 June 2020, the Bank distributed cash dividends of about RMB93,664 million, or RMB2.628 per ten shares (pre-tax) for the period from 1 January 2019 to 31 December 2019 to the ordinary shareholders whose names appeared on the share register after the close of market on 29 June 2020. The Bank will not declare or distribute interim dividends for 2020, nor will it convert any capital reserves to share capital.

For details on the distribution of dividends on preference shares of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

8.3 Purchase, Sale and Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Bank.

8.4 Securities Transactions of Directors and Supervisors

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

8.5 Participation in Investment in the National Green Development Fund Co, Ltd.

The Bank has signed the Promoter's Agreement of the National Green Development Fund Co, Ltd. in July 2020 to invest RMB8.0 billion in the National Green Development Fund Co, Ltd. (the "NGDF"). The capital injection shall be paid by instalments in five years commencing from 2020, with the subscription amounting to about 9.04% of the NGDF's capital. The investment is still subject to relevant procedures of the regulatory authorities.

For more details of the investment, please refer to the announcement published by the Bank on the website of Shanghai Stock Exchange, the "HKEXnews" website of Hong Kong Exchanges and Clearing Limited and the website of ICBC.

8.6 Review of the Interim Report

The 2020 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by KPMG Huazhen LLP and KPMG in accordance with Chinese and international standards on review engagements, respectively.

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

9. Interim Financial Report

9.1 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

9.1.1 Unaudited Interim Consolidated Statement of Profit or Loss

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Interest income	529,790	508,157
Interest expense	(223,241)	(208,856)
NET INTEREST INCOME	306,549	299,301
Fee and commission income	95,616	95,248
Fee and commission expense	(6,716)	(6,747)
NET FEE AND COMMISSION INCOME	88,900	88,501
Net trading (expense)/income	(1,635)	5,873
Net gain/(loss) on financial investments	7,987	(3,424)
Other operating income, net	545	3,952
OPERATING INCOME	402,346	394,203
Operating expenses	(87,925)	(87,154)
Impairment losses on assets	(125,456)	(99,180)
OPERATING PROFIT	188,965	207,869
Share of profits of associates and joint ventures	386	1,340
PROFIT BEFORE TAXATION	189,351	209,209
Income tax expense	(39,555)	(40,519)
PROFIT FOR THE PERIOD	149,796	168,690
Attributable to:		
Equity holders of the parent company	148,790	167,931
Non-controlling interests	1,006	759
PROFIT FOR THE PERIOD	149,796	168,690
EARNINGS PER SHARE		
— Basic (RMB yuan)	0.42	0.47
— Diluted (RMB yuan)	0.42	0.47

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

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Profit for the period	149,796	168,690
Other comprehensive income (after tax, net):		
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	(222)	783
Other comprehensive income recognised under equity method	(13)	5
Others	3	0
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at fair value through other comprehensive income	2,043	3,994
Credit losses of debt instruments measured at fair value through other comprehensive income	1,039	(41)
Reserve from cash flow hedging instruments	(869)	(643)
Other comprehensive income recognised under equity method	1,075	(356)
Foreign currency translation differences	(2,535)	1,011
Others	(428)	(9)
Subtotal of other comprehensive income for the period	93	4,744
Total comprehensive income for the period	149,889	173,434
Total comprehensive income attributable to:		
Equity holders of the parent company	148,850	172,689
Non-controlling interests	1,039	745
	149,889	173,434

9.1.3 Unaudited Interim Consolidated Statement of Financial Position

(In RMB millions, unless otherwise stated)

	30 June 2020 (unaudited)	31 December 2019 (audited)
ASSETS		
Cash and balances with central banks	3,542,538	3,317,916
Due from banks and other financial institutions	1,243,071	1,042,368
Derivative financial assets	76,931	68,311
Reverse repurchase agreements	1,371,519	845,186
Loans and advances to customers	17,503,330	16,326,552
Financial investments	8,365,593	7,647,117
— Financial investments measured at fair value through profit or loss	1,023,536	962,078
— Financial investments measured at fair value through other comprehensive income	1,527,183	1,476,872
— Financial investments measured at amortised cost	5,814,874	5,208,167
Investments in associates and joint ventures	28,327	32,490
Property and equipment	286,627	286,561
Deferred income tax assets	64,112	62,536
Other assets	629,962	480,399
TOTAL ASSETS	33,112,010	30,109,436
LIABILITIES		
Due to central banks	32,443	1,017
Financial liabilities designated as at fair value through profit or loss	125,686	102,242
Derivative financial liabilities	104,134	85,180
Due to banks and other financial institutions	2,973,637	2,266,573
Repurchase agreements	250,847	263,273
Certificates of deposit	343,456	355,428
Due to customers	25,067,870	22,977,655
Income tax payable	55,346	96,192
Deferred income tax liabilities	2,627	1,873
Debt securities issued	726,613	742,875
Other liabilities	682,595	525,125
TOTAL LIABILITIES	30,365,254	27,417,433
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	356,407	356,407
Other equity instruments	206,132	206,132
Reserves	745,267	745,111
Retained profits	1,423,060	1,368,536
	2,730,866	2,676,186
Non-controlling interests	15,890	15,817
TOTAL EQUITY	2,746,756	2,692,003
TOTAL EQUITY AND LIABILITIES	33,112,010	30,109,436

9.1.4 Unaudited Interim Consolidated Statement of Changes in Equity

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
	Reserves										Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal				
Balance as at 1 January 2020	356,407	206,132	149,139	292,291	305,019	23,280	(18,568)	(4,453)	(1,597)	745,111	1,368,536	2,676,186	15,817	2,692,003
Profit for the period	-	-	-	-	-	-	-	-	-	-	148,790	148,790	1,006	149,796
Other comprehensive income	-	-	-	-	-	2,809	(2,534)	(852)	637	60	-	60	33	93
Total comprehensive income	-	-	-	-	-	2,809	(2,534)	(852)	637	60	148,790	148,850	1,039	149,889
Dividends — ordinary shares 2019 final	-	-	-	-	-	-	-	-	-	-	(93,664)	(93,664)	-	(93,664)
Appropriation to surplus reserve (i)	-	-	-	477	-	-	-	-	-	477	(477)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	129	-	-	-	-	129	(129)	-	-	-
Change in share holding in subsidiaries	-	-	(499)	-	-	-	-	-	-	(499)	-	(499)	(780)	(1,279)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(188)	(188)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(6)	-	-	-	(6)	4	(2)	2	-
Others	-	-	-	-	-	-	-	-	(5)	(5)	-	(5)	-	(5)
Balance as at 30 June 2020 (unaudited)	<u>356,407</u>	<u>206,132</u>	<u>148,640</u>	<u>292,768</u>	<u>305,148</u>	<u>26,083</u>	<u>(21,102)</u>	<u>(5,305)</u>	<u>(965)</u>	<u>745,267</u>	<u>1,423,060</u>	<u>2,730,866</u>	<u>15,890</u>	<u>2,746,756</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB67 million and RMB410 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amounts of RMB129 million.

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

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

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

Attributable to equity holders of the parent company

	Reserves												Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 1 January 2019	356,407	86,051	152,043	261,720	279,064	15,495	(22,894)	(3,804)	(747)	680,877	1,206,666	2,330,001	14,882	2,344,883
Profit for the year	-	-	-	-	-	-	-	-	-	-	312,224	312,224	1,137	313,361
Other comprehensive income	-	-	-	-	-	7,805	4,326	(649)	(853)	10,629	-	10,629	79	10,708
Total comprehensive income	-	-	-	-	-	7,805	4,326	(649)	(853)	10,629	312,224	322,853	1,216	324,069
Dividends — ordinary shares 2018 final	-	-	-	-	-	-	-	-	-	-	(89,315)	(89,315)	-	(89,315)
Dividends — preference shares	-	-	-	-	-	-	-	-	-	-	(4,525)	(4,525)	-	(4,525)
Appropriation to surplus reserve (i)	-	-	-	30,571	-	-	-	-	-	30,571	(30,571)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	25,955	-	-	-	-	25,955	(25,955)	-	-	-
Capital injection by other equity instruments holders	-	149,967	-	-	-	-	-	-	-	-	-	149,967	-	149,967
Capital deduction by other equity instruments holders	-	(29,886)	(2,901)	-	-	-	-	-	-	(2,901)	-	(32,787)	-	(32,787)
Change in share holding in subsidiaries	-	-	(3)	-	-	-	-	-	-	(3)	-	(3)	(8)	(11)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	57	57
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(338)	(338)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(20)	-	-	-	(20)	12	(8)	8	-
Others	-	-	-	-	-	-	-	-	3	3	-	3	-	3
Balance as at 31 December 2019 (audited)	<u>356,407</u>	<u>206,132</u>	<u>149,139</u>	<u>292,291</u>	<u>305,019</u>	<u>23,280</u>	<u>(18,568)</u>	<u>(4,453)</u>	<u>(1,597)</u>	<u>745,111</u>	<u>1,368,536</u>	<u>2,676,186</u>	<u>15,817</u>	<u>2,692,003</u>

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB53 million and RMB785 million, respectively.
- (ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB2 million and RMB1,194 million, respectively.

9.1.5 Unaudited Interim Consolidated Cash Flow Statement

(In RMB millions, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	189,351	209,209
Adjustments for:		
Share of profits of associates and joint ventures	(386)	(1,340)
Depreciation	13,645	12,414
Amortisation	1,171	1,188
Amortisation of financial investments	(2,498)	443
Impairment losses on assets	125,456	99,180
Unrealised losses on foreign exchange	10,839	926
Interest expense on debt securities issued	13,244	13,789
Accreted interest on impaired loans	(941)	(1,167)
Net (gain)/loss on financial investments	(5,869)	2,648
Interest income on financial investments	(117,949)	(97,505)
Net gain on changes at fair value	(6,751)	(9,061)
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(730)	(792)
Dividend income	(1,054)	(348)
	217,528	229,584
Net decrease/(increase) in operating assets:		
Due from central banks	176,573	28,757
Due from banks and other financial institutions	23,905	(53,029)
Financial assets measured at fair value through profit or loss	(19,355)	(45,557)
Reverse repurchase agreements	70,931	(77,977)
Loans and advances to customers	(1,255,273)	(896,890)
Other assets	(174,316)	(199,849)
	(1,177,535)	(1,244,545)
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated as at fair value through profit or loss	22,174	3,745
Due to central banks	31,427	749
Due to banks and other financial institutions	698,647	374,821
Repurchase agreements	(12,477)	(233,047)
Certificates of deposit	(16,537)	20,418
Due to customers	2,060,021	1,708,866
Other liabilities	133,077	117,462
	2,916,332	1,993,014
Net cash flows from operating activities before tax	1,956,325	978,053
Income tax paid	(82,592)	(70,760)
Net cash flows from operating activities	1,873,733	907,293

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(10,769)	(14,928)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	981	1,326
Purchases of financial investments	(1,631,900)	(1,248,373)
Proceeds from sale and redemption of financial investments	967,154	849,306
Investment returns received	114,096	98,678
Investments in associates and joint ventures	(130)	(76)
Proceeds from disposal of associates and joint ventures	179	–
	<u>(560,389)</u>	<u>(314,067)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling shareholders	–	57
Proceeds from issuance of debt securities	441,364	624,360
Interest paid on debt securities	(13,772)	(6,935)
Repayment of debt securities	(449,224)	(478,939)
Acquisition of non-controlling interests	(1,279)	(11)
Dividends paid on ordinary shares	(70,854)	–
Dividends paid to non-controlling shareholders	(188)	(157)
Cash payment for other financing activities	(2,423)	–
	<u>(96,376)</u>	<u>138,375</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period	1,216,968	731,601
Effect of exchange rate changes on cash and cash equivalents	1,450,413	1,509,524
	9,830	948
	<u>2,677,211</u>	<u>2,242,073</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	427,871	422,202
Interest paid	(209,678)	(191,352)

9.2 Significant Accounting Policies

Except as described below accounting policies adopted in the preparation of the interim financial report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 31 December 2019. The changes in accounting policies are also expected to be reflected in the Group's annual financial statements for the year ending 31 December 2020. The principal effects of new and revised International Financial Reporting Standards ("IFRSs", including International Accounting Standards ("IASs")) are as follows:

Amendments to IFRS 3, Business Combinations "Clarifying what is a business"

The IASB has issued amendments to IFRS 3 that seek to clarify the definition of business. The amendments include an election to use a concentration test. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The effect of these changes is that the new definition of a business is narrower, which could result in fewer business combinations being recognised. The amendments may require a complex assessment to decide whether a transaction is a business combination or an asset acquisition.

The amendments are expected to have no material impact on financial position and financial performance.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, "Definition of Material"

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS Standards.

The amendments are expected to have no material impact on financial position and financial performance.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial instruments: Disclosures, “Interest Rate Benchmark Reform”

The IASB issued the amendments to IFRS 9, IAS 39 and IFRS 7, which aims to address uncertainties related to the ongoing reform of interbank offered rates (“IBOR”).

The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. They are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The amendments are expected to have no material impact on financial position and financial performance.

Amendment to IFRS 16, Leases “Covid-19-Related Rent Concessions”

The IASB has issued the amendment to IFRS 16, the amendment allows lessees, as a voluntary practical expedient, not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19 and meet the qualifying criteria. The amendment is effective for annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

The Group does not adopt the practical expedient of the amendment, therefore the amendment has no material impact on the financial position and the financial result of the Group.

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

9.3 Notes to the Unaudited Interim Financial Report

(In RMB millions, unless otherwise stated)

9.3.1 NET INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income on:		
Loans and advances to customers:		
Corporate loans and advances	221,240	217,025
Personal loans	141,660	123,898
Discounted bills	6,097	6,153
Financial investments	118,487	107,102
Due from banks and other financial institutions	21,379	31,056
Due from central banks	20,927	22,923
	<u>529,790</u>	<u>508,157</u>
Interest expense on:		
Due to customers	(177,272)	(158,304)
Due to banks and other financial institutions	(29,723)	(32,161)
Debt securities issued	(16,246)	(18,391)
	<u>(223,241)</u>	<u>(208,856)</u>
Net interest income	<u>306,549</u>	<u>299,301</u>

9.3.2 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
Bank card business	23,366	22,480
Settlement, clearing business and cash management	20,216	20,544
Personal wealth management and private banking services	15,274	15,501
Investment banking business	14,796	15,037
Guarantee and commitment business	7,672	7,808
Corporate wealth management services	7,622	7,504
Asset custody business	4,020	3,986
Trust and agency services	1,057	1,010
Others	1,593	1,378
	<u>95,616</u>	<u>95,248</u>
Fee and commission expense	<u>(6,716)</u>	<u>(6,747)</u>
Net fee and commission income	<u>88,900</u>	<u>88,501</u>

9.3.3 NET TRADING (EXPENSE)/INCOME

	Six months ended 30 June	
	2020	2019
Debt securities	3,107	2,745
Equity investments	2,012	1,124
Derivatives and others	(6,754)	2,004
	<u>(1,635)</u>	<u>5,873</u>

9.3.4 NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2020	2019
Dividend income from equity investments designated as at FVOCI, including:		
Derecognised during the period	–	–
Held at the end of current period	1,054	348
Gain/(loss) on financial instruments measured at FVTPL, net	5,358	(4,627)
Including:		
Loss on financial instruments designated as at FVTPL	(1,398)	(10,636)
Gain on disposal of financial instruments measured at FVOCI, net	1,504	830
Others	71	25
	<u>7,987</u>	<u>(3,424)</u>

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

“FVOCI” stands for fair value through other comprehensive income.

9.3.5 OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2020	2019
Net premium income	29,933	38,214
Operating cost of insurance business	(32,242)	(38,027)
Net gain on disposal of property and equipment, repossessed assets and others	805	795
Others	2,049	2,970
	<u>545</u>	<u>3,952</u>

9.3.6 OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
Staff costs:		
Salaries and bonuses	38,692	38,692
Staff benefits	11,107	10,370
Post-employment benefits — defined contribution plans	5,139	7,158
	<u>54,938</u>	<u>56,220</u>
Property and equipment expenses:		
Depreciation charge for property and equipment assets	6,773	6,574
Lease expenses in respect of land and buildings	4,088	3,876
Repairs and maintenance charges	962	994
Utility expenses	751	911
	<u>12,574</u>	<u>12,355</u>
Amortisation	1,171	1,188
Other administrative expenses	8,748	8,473
Taxes and surcharges	4,406	3,851
Others	6,088	5,067
	<u>87,925</u>	<u>87,154</u>

9.3.7 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2020	2019
Loans and advances to customers	111,705	91,896
Others	13,751	7,284
	<u>125,456</u>	<u>99,180</u>

9.3.8 INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended 30 June	
	2020	2019
Current income tax expense:		
Chinese mainland	38,848	38,589
Hong Kong and Macau	1,103	1,149
Overseas	1,795	2,011
	41,746	41,749
Deferred income tax expense	(2,191)	(1,230)
	39,555	40,519

(b) Reconciliation between income tax and accounting profit

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

	Six months ended 30 June	
	2020	2019
Profit before taxation	189,351	209,209
Tax at the PRC statutory income tax rate	47,338	52,302
Effects of different applicable rates of tax prevailing in other countries/regions	(952)	(818)
Effects of non-deductible expenses	13,387	5,916
Effects of non-taxable income	(20,015)	(16,717)
Effects of profits attributable to associates and joint ventures	(96)	(335)
Effects of others	(107)	171
Income tax expense	39,555	40,519

9.3.9 DIVIDENDS

	Six months ended 30 June	
	2020	2019
Dividends on ordinary shares declared and paid or proposed:		
Final dividend on ordinary shares for 2019:		
RMB0.2628 per share (2018: RMB0.2506 per share)	<u>93,664</u>	<u>89,315</u>

9.3.10 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	<u>148,790</u>	<u>167,931</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>356,407</u>	<u>356,407</u>
Basic and diluted earnings per share (RMB yuan)	<u>0.42</u>	<u>0.47</u>

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

9.3.11 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 30 June 2020, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB48,757 million (31 December 2019: RMB36,547 million) and RMB54,473 million (31 December 2019: RMB40,614 million) respectively, and the net derivative assets and net derivative liabilities were RMB36,335 million (31 December 2019: RMB26,248 million) and RMB42,051 million (31 December 2019: RMB30,315 million) respectively.

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

	30 June 2020			31 December 2019		
	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts	5,694,289	30,710	(32,405)	4,944,200	38,258	(36,582)
Interest rate contracts	1,958,644	27,219	(30,858)	2,125,339	16,436	(17,888)
Commodity derivatives and others	781,212	19,002	(40,871)	818,186	13,617	(30,710)
	<u>8,434,145</u>	<u>76,931</u>	<u>(104,134)</u>	<u>7,887,725</u>	<u>68,311</u>	<u>(85,180)</u>

Cash flow hedges

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

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

	30 June 2020						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	3,396	15,068	9,787	920	29,171	38	(807)
Currency swap contracts	54,354	65,151	2,875	–	122,380	2,848	(1,052)
Equity derivatives	7	31	38	4	80	–	(5)
	<u>57,757</u>	<u>80,250</u>	<u>12,700</u>	<u>924</u>	<u>151,631</u>	<u>2,886</u>	<u>(1,864)</u>
	31 December 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	–	6,824	20,726	1,045	28,595	121	(284)
Currency swap contracts	52,670	55,772	4,002	–	112,444	1,077	(750)
Equity derivatives	64	2	51	7	124	3	(7)
	<u>52,734</u>	<u>62,598</u>	<u>24,779</u>	<u>1,052</u>	<u>141,163</u>	<u>1,201</u>	<u>(1,041)</u>

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

30 June 2020					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current period	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	14,869	(15,613)	(505)	(474)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	9,784	-	(110)	(127)	Loans and advances to customers
Others	10,456	(84,902)	62	(4,443)	Due from banks and other financial institutions/ Other assets/ Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	<u>35,109</u>	<u>(100,515)</u>	<u>(553)</u>	<u>(5,044)</u>	

31 December 2019

	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	23,357	(7,030)	(4)	31	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	2,914	–	(54)	(17)	Loans and advances to customers
Others	6,050	(104,846)	(639)	(4,505)	Due from banks and other financial institutions/ Other assets/ Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	<u>32,321</u>	<u>(111,876)</u>	<u>(697)</u>	<u>(4,491)</u>	

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current period (six months ended 30 June 2019: Nil).

Fair value hedges

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

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

	Six months ended 30 June	
	2020	2019
(Loss)/gain arising from fair value hedges, net:		
Hedging instruments	(2,661)	(1,331)
Hedged items attributable to the hedged risk	2,623	1,313
	<u>(38)</u>	<u>(18)</u>

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

	30 June 2020					Fair values	
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	<u>742</u>	<u>3,831</u>	<u>52,978</u>	<u>22,512</u>	<u>80,063</u>	<u>170</u>	<u>(4,146)</u>
	<u>742</u>	<u>3,831</u>	<u>52,978</u>	<u>22,512</u>	<u>80,063</u>	<u>170</u>	<u>(4,146)</u>
	31 December 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	<u>697</u>	<u>1,409</u>	<u>47,346</u>	<u>14,841</u>	<u>64,293</u>	<u>199</u>	<u>(1,383)</u>
	<u>697</u>	<u>1,409</u>	<u>47,346</u>	<u>14,841</u>	<u>64,293</u>	<u>199</u>	<u>(1,383)</u>

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

	30 June 2020				Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		
	Assets	Liabilities	Assets	Liabilities	
Bonds	61,063	(369)	6,263	(15)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	5,861	-	1,447	-	Loans and advances to customers
Others	14,475	(3,649)	278	(112)	Reverse repurchase agreements/ Due to banks and other financial institutions
	<u>81,399</u>	<u>(4,018)</u>	<u>7,988</u>	<u>(127)</u>	
	31 December 2019				Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		
	Assets	Liabilities	Assets	Liabilities	
Bonds	42,646	(120)	943	(11)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	5,325	-	32	-	Loans and advances to customers
Others	13,962	(3,481)	(10)	-	Reverse repurchase agreements/ Due to banks and other financial institutions
	<u>61,933</u>	<u>(3,601)</u>	<u>965</u>	<u>(11)</u>	

Net investment hedges

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

As at 30 June 2020, an accumulated net loss from the hedging instrument of RMB1,237 million was recognised in "Other comprehensive income" on net investment hedges (as at 31 December 2019 accumulated net loss: RMB747 million). As at 30 June 2020, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2019: Nil).

Counterparty credit risk-weighted assets of derivative financial instruments

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

	30 June 2020	31 December 2019
Counterparty credit default risk-weighted assets	151,850	131,219
<i>Including: Non-netting settled credit default risk-weighted assets</i>	81,055	65,292
<i>Netting settled credit default risk-weighted assets</i>	70,795	65,927
Credit value adjustment risk-weighted assets	55,304	34,676
Central counterparties credit risk-weighted assets	2,132	3,068
	<u>209,286</u>	<u>168,963</u>

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

9.3.12 FINANCIAL INVESTMENTS

	30 June 2020	31 December 2019
Financial investments measured at FVTPL	1,023,536	962,078
Financial investments measured at FVOCI	1,527,183	1,476,872
Financial investments measured at amortised cost	5,814,874	5,208,167
	<u>8,365,593</u>	<u>7,647,117</u>

9.3.13 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVOCI	(267)	976
Less: Income tax effect	45	(193)
	<u>(222)</u>	<u>783</u>
Other comprehensive income recognised under equity method	(13)	5
Others	3	0
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVOCI	3,434	5,476
Less: Amount transferred to profit or loss from other comprehensive income	(293)	(286)
Income tax effect	(1,098)	(1,196)
	<u>2,043</u>	<u>3,994</u>
Credit losses of debt instruments measured at FVOCI	1,039	(41)
Reserve from cash flow hedging instruments		
Losses during the period	(553)	(665)
Less: Income tax effect	(316)	22
	<u>(869)</u>	<u>(643)</u>

	Six months ended 30 June	
	2020	2019
Other comprehensive income recognised under equity method	1,075	(356)
Foreign currency translation differences	(2,535)	1,011
Others	(428)	(9)
	<u>93</u>	<u>4,744</u>

9.3.14 **COMMITMENTS AND CONTINGENT LIABILITIES**

(a) Capital commitments

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

	30 June	31 December
	2020	2019
Contracted	<u>36,090</u>	<u>31,915</u>

(b) Credit commitments

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

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

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

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

	30 June 2020	31 December 2019
Bank acceptances	366,382	311,300
Guarantees issued		
— Financing letters of guarantees	75,871	69,634
— Non-financing letters of guarantees	447,903	414,245
Sight letters of credit	49,384	40,932
Usance letters of credit and other commitments	146,370	156,685
Loan commitments		
— With an original maturity of under one year	174,935	187,651
— With an original maturity of one year or over	600,880	625,146
Undrawn credit card limit	1,001,874	1,157,478
	<u>2,863,599</u>	<u>2,963,071</u>
	30 June 2020	31 December 2019
Credit risk-weighted assets of credit commitments (i)	<u>1,222,339</u>	<u>1,306,831</u>

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

(c) Legal proceedings

As at 30 June 2020, there were a number of legal proceedings and arbitrations outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,140 million (31 December 2019: RMB4,233 million).

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

(d) Redemption commitments of government bonds

As an underwriting agent of the Ministry of Finance of the People's Republic of China, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2020, the Bank had underwritten and sold bonds with an accumulated amount of RMB79,763 million (31 December 2019: RMB89,644 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The Ministry of Finance of the People's Republic of China will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(e) Underwriting obligations

As at 30 June 2020, the Group had no unexpired security-underwriting obligations (31 December 2019: RMB1,000 million).

9.3.15 SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

Others

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting this interim financial statements report of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

(b) Geographical information

The Group operates principally in Chinese mainland, and also has branches and subsidiaries operating outside Chinese mainland (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh, Istanbul, Prague, Zurich, Manila and Vienna, etc.).

The distribution of the geographical areas is as follows:

Chinese mainland (Head Office and domestic branches):

Head Office (“HO”): the HO business division (including institutions directly managed by the HO and their offices);

Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;

Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and

Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and others: branches located outside Chinese mainland, domestic and overseas subsidiaries, and investments in associates and joint ventures.

Six months ended 30 June 2020

	Chinese mainland (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
External net interest income	128,281	32,532	34,086	10,015	33,079	44,434	7,133	16,989	-	306,549
Internal net interest (expense)/income	(101,540)	18,796	6,367	53,023	9,531	6,762	6,068	993	-	-
Net fee and commission income	22,063	17,160	12,269	11,110	8,327	11,102	2,117	5,593	(841)	88,900
Other income/(expense), net	7,025	(2,024)	(853)	(2,821)	(1,094)	(1,444)	292	7,024	792	6,897
Operating income	55,829	66,464	51,869	71,327	49,843	60,854	15,610	30,599	(49)	402,346
Operating expenses	(10,396)	(12,377)	(10,082)	(14,104)	(12,264)	(13,897)	(4,673)	(10,187)	55	(87,925)
Impairment losses on assets	(25,936)	(21,187)	(14,227)	(20,973)	(16,193)	(17,060)	(4,787)	(5,093)	-	(125,456)
Operating profit	19,497	32,900	27,560	36,250	21,386	29,897	6,150	15,319	6	188,965
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	386	-	386
Profit before taxation	19,497	32,900	27,560	36,250	21,386	29,897	6,150	15,705	6	189,351
Income tax expense										(39,555)
Profit for the period										<u>149,796</u>
Other segment information:										
Depreciation	1,030	1,430	1,140	1,711	1,467	1,719	649	1,028	-	10,174
Amortisation	350	125	103	142	161	157	52	108	-	1,198
Capital expenditure	1,063	1,671	1,375	3,408	1,382	1,780	587	10,004	-	21,270

30 June 2020

	Chinese mainland (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
Assets by geographical areas	11,350,385	6,102,431	3,797,285	4,333,001	3,050,372	3,849,272	1,122,048	4,091,247	(4,648,143)	33,047,898
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	28,327	-	28,327
Property and equipment	11,231	32,045	12,197	19,583	17,879	22,506	9,041	162,145	-	286,627
Other non-current assets	13,277	8,042	5,911	7,214	8,289	12,262	2,072	27,385	-	84,452
Unallocated assets										64,112
Total assets										<u>33,112,010</u>
Liabilities by geographical areas	8,658,186	6,464,359	3,447,872	7,522,415	3,089,047	3,669,186	1,394,444	709,921	(4,648,149)	30,307,281
Unallocated liabilities										57,973
Total liabilities										<u>30,365,254</u>
Other segment information:										
Credit commitments	1,116,786	879,109	549,155	733,748	314,068	504,502	131,583	714,041	(2,079,393)	2,863,599

Six months ended 30 June 2019

	Chinese mainland (HO and domestic branches)									Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	
External net interest income	121,746	32,147	31,146	14,437	31,135	42,004	8,685	18,001	-	299,301
Internal net interest (expense)/income	(84,588)	16,663	5,492	46,868	7,478	5,186	3,710	(809)	-	-
Net fee and commission income	13,306	19,804	14,408	12,921	9,452	11,644	2,494	5,881	(1,409)	88,501
Other income/(expense), net	5,426	(2,227)	(488)	(2,511)	(1,118)	(1,361)	(112)	7,427	1,365	6,401
Operating income	55,890	66,387	50,558	71,715	46,947	57,473	14,777	30,500	(44)	394,203
Operating expenses	(6,953)	(12,885)	(10,639)	(14,541)	(12,609)	(14,380)	(5,061)	(10,139)	53	(87,154)
Impairment losses on assets	(15,480)	(12,831)	(13,368)	(24,589)	(11,228)	(13,410)	(6,209)	(2,065)	-	(99,180)
Operating profit	33,457	40,671	26,551	32,585	23,110	29,683	3,507	18,296	9	207,869
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	1,340	-	1,340
Profit before taxation	33,457	40,671	26,551	32,585	23,110	29,683	3,507	19,636	9	209,209
Income tax expense										(40,519)
Profit for the period										<u>168,690</u>
Other segment information:										
Depreciation	902	1,303	1,019	1,503	1,456	1,650	651	736	-	9,220
Amortisation	400	120	100	110	135	163	37	123	-	1,188
Capital expenditure	<u>1,017</u>	<u>1,669</u>	<u>1,073</u>	<u>2,487</u>	<u>957</u>	<u>1,489</u>	<u>482</u>	<u>11,756</u>	<u>-</u>	<u>20,930</u>

31 December 2019

	Chinese mainland (HO and domestic branches)									Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	
Assets by geographical areas	10,687,512	6,380,888	4,126,087	4,256,707	2,973,119	3,841,497	1,140,631	3,971,298	(7,330,839)	30,046,900
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	32,490	-	32,490
Property and equipment	11,964	32,168	12,015	20,252	18,306	23,009	9,413	159,434	-	286,561
Other non-current assets	13,250	8,114	5,975	7,352	8,488	12,370	2,093	25,588	-	83,230
Unallocated assets										<u>62,536</u>
Total assets										<u>30,109,436</u>
Liabilities by geographical areas	8,135,659	6,694,114	4,164,747	7,051,203	2,996,409	3,675,924	1,207,528	724,638	(7,330,853)	27,319,369
Unallocated liabilities										<u>98,064</u>
Total liabilities										<u>27,417,433</u>
Other segment information:										
Credit commitments	<u>1,266,960</u>	<u>767,677</u>	<u>464,593</u>	<u>655,424</u>	<u>252,299</u>	<u>464,788</u>	<u>122,273</u>	<u>725,581</u>	<u>(1,756,524)</u>	<u>2,963,071</u>

10. Unaudited Supplementary Financial Information

10.1 Correspondence between Balance Sheet in Published Financial Statements and Capital Composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item	30 June 2020	31 December 2019	Reference
Core tier 1 capital:			
1 Paid-in capital	356,407	356,407	X18
2 Retained earnings	2,019,000	1,964,205	
2a Surplus reserve	292,625	292,149	X21
2b General reserve	305,006	304,876	X22
2c Retained profits	1,421,369	1,367,180	X23
3 Accumulated other comprehensive income (and other public reserves)	147,465	147,984	
3a Capital reserve	148,563	149,067	X19
3b Others	(1,098)	(1,083)	X24
4 Valid portion to core tier 1 capital during the transition period (only applicable to non- joint stock companies. Fill in 0 for joint stock banks)	–	–	
5 Valid portion of minority interests	4,079	4,178	X25
6 Core tier 1 capital before regulatory adjustments	2,526,951	2,472,774	
Core tier 1 capital: Regulatory adjustments			
7 Prudential valuation adjustments	–	–	
8 Goodwill (net of deferred tax liabilities)	9,128	9,038	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	3,604	2,933	X14-X15
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11 Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,987)	(4,451)	X20
12 Shortfall of provision for loan impairment	–	–	
13 Gain on sale related to asset securitisation	–	–	

Item	30 June 2020	31 December 2019	Reference
14	–	–	
15	–	–	
16	–	–	
17	–	–	
18	–	–	
19	–	–	
20	N/A	N/A	
21	–	–	
22	–	–	
23	–	–	
24	N/A	N/A	
25	–	–	
26a	7,980	7,980	X11

Item	30 June 2020	31 December 2019	Reference
26b	–	–	
Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			
26c	–	–	
Others that should be deducted from core tier 1 capital			
27	–	–	
Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital			
28	15,725	15,500	
Total regulatory adjustments to core tier 1 capital			
29	2,511,226	2,457,274	
Core tier 1 capital			
Additional tier 1 capital:			
30	199,456	199,456	
Additional tier 1 capital instruments and related premium			
31	199,456	199,456	X28+X32
Including: Portion classified as equity			
32	–	–	
Including: Portion classified as liabilities			
33	–	–	
Invalid instruments to additional tier 1 capital after the transition period			
34	751	793	X26
Valid portion of minority interests			
35	–	–	
Including: Invalid portion to additional tier 1 capital after the transition period			
36	200,207	200,249	
Additional tier 1 capital before regulatory adjustments			
Additional tier 1 capital: Regulatory adjustments			
37	–	–	
Direct or indirect investments in own additional tier 1 instruments			
38	–	–	
Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions			
39	–	–	
Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			
40	–	–	
Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			
41a	–	–	
Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			

Item	30 June 2020	31 December 2019	Reference
41b	–	–	
Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			
41c	–	–	
Others that should be deducted from additional tier 1 capital			
42	–	–	
Undeducted shortfall that should be deducted from tier 2 capital			
43	–	–	
Total regulatory adjustments to additional tier 1 capital			
44	200,207	200,249	
Additional tier 1 capital			
45	2,711,433	2,657,523	
Tier 1 capital (core tier 1 capital + additional tier 1 capital)			
Tier 2 capital:			
46	252,624	272,680	X17
Tier 2 capital instruments and related premium			
47	40,570	60,855	
Invalid instruments to tier 2 capital after the transition period			
48	1,310	1,707	X27
Valid portion of minority interests			
49	65	439	
Including: Invalid portion to tier 2 capital after the transition period			
50	196,774	189,569	X02+X04
Valid portion of surplus provision for loan impairment			
51	450,708	463,956	
Tier 2 capital before regulatory adjustments			
Tier 2 capital: Regulatory adjustments			
52	–	–	
Direct or indirect investments in own tier 2 instruments			
53	–	–	
Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions			
54	–	–	
Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation			
55	–	–	X31
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation			
56a	–	–	
Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation			

Item	30 June 2020	31 December 2019	Reference
56b	–	–	
56c	–	–	
57	–	–	
58	450,708	463,956	
59	3,162,141	3,121,479	
60	19,769,139	18,616,886	

Requirements for capital adequacy ratio and reserve capital

61	Core tier 1 capital adequacy ratio	12.70%	13.20%
62	Tier 1 capital adequacy ratio	13.72%	14.27%
63	Capital adequacy ratio	16.00%	16.77%
64	Institution specific buffer requirement	4.0%	4.0%
65	Including: Capital conservation buffer requirement	2.5%	2.5%
66	Including: Countercyclical buffer requirement	–	–
67	Including: G-SIB buffer requirement	1.5%	1.5%
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	7.70%	8.20%

Domestic minima for regulatory capital

69	Core tier 1 capital adequacy ratio	5.0%	5.0%
70	Tier 1 capital adequacy ratio	6.0%	6.0%
71	Capital adequacy ratio	8.0%	8.0%

Amounts below the thresholds for deduction

72	Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	99,602	84,515	X05+X07 +X08+X09 +X12+X29 +X30
73	Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	35,320	37,654	X06+X10 +X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	61,975	60,846	

Item	30 June 2020	31 December 2019	Reference	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	19,733	17,647	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	9,389	7,923	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	505,594	460,851	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	187,385	181,646	X04
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	40,570	60,855	
85	Excluded from tier 2 capital for the current period due to cap	83,671	63,383	

(ii) Consolidated financial statements

	30 June 2020 Consolidated balance sheet as in published financial statements*	30 June 2020 Balance sheet under regulatory scope of consolidation*	31 December 2019 Consolidated balance sheet as in published financial statements*	31 December 2019 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,542,538	3,542,538	3,317,916	3,317,916
Due from banks and other financial institutions	622,255	584,993	475,325	450,976
Precious metals	313,702	313,702	238,061	238,061
Placements with banks and other financial institutions	620,816	620,816	567,043	567,043
Derivative financial assets	76,931	76,931	68,311	68,311
Reverse repurchase agreements	1,371,519	1,370,659	845,186	841,954
Loans and advances to customers	17,503,330	17,502,039	16,326,552	16,325,339
Financial investments	8,365,593	8,234,804	7,647,117	7,528,268
— Financial investments measured at FVTPL	1,023,536	979,682	962,078	921,042
— Financial investments measured at FVOCI	1,527,183	1,498,520	1,476,872	1,451,357
— Financial investments measured at amortised cost	5,814,874	5,756,602	5,208,167	5,155,869
Long-term equity investments	28,327	36,307	32,490	40,470
Fixed assets	242,700	242,646	244,902	244,846
Construction in progress	42,055	42,054	39,714	39,712
Deferred income tax assets	64,112	64,112	62,536	62,536
Other assets	318,132	304,225	244,283	230,111
Total assets	33,112,010	32,935,826	30,109,436	29,955,543

* Prepared in accordance with PRC GAAP.

	30 June 2020 Consolidated balance sheet as in published financial statements*	30 June 2020 Balance sheet under regulatory scope of consolidation*	31 December 2019 Consolidated balance sheet as in published financial statements*	31 December 2019 Balance sheet under regulatory scope of consolidation*
Liabilities				
Due to central banks	32,443	32,443	1,017	1,017
Due to banks and other financial institutions	2,382,150	2,382,150	1,776,320	1,776,320
Placements from banks and other financial institutions	591,487	591,487	490,253	490,253
Financial liabilities measured at FVTPL	125,686	125,686	102,242	102,242
Derivative financial liabilities	104,134	104,134	85,180	85,180
Repurchase agreements	250,847	247,498	263,273	254,926
Certificates of deposit	343,456	343,456	355,428	355,428
Due to customers	25,067,870	25,067,870	22,977,655	22,977,655
Employee benefits payable	29,833	29,601	35,301	34,960
Taxes payable	71,287	71,233	109,601	109,545
Debt securities issued	726,613	726,613	742,875	742,875
Deferred income tax liabilities	2,627	2,137	1,873	1,690
Other liabilities	636,821	473,235	476,415	339,246
Total liabilities	30,365,254	30,197,543	27,417,433	27,271,337
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	206,132	206,132	206,132	206,132
Capital reserve	148,563	148,563	149,067	149,067
Other comprehensive income	(1,212)	(1,098)	(1,266)	(1,083)
Surplus reserve	292,768	292,625	292,291	292,149
General reserve	305,148	305,006	305,019	304,876
Retained profits	1,423,060	1,421,369	1,368,536	1,367,180
Equity attributable to equity holders of the parent company	2,730,866	2,729,004	2,676,186	2,674,728
Minority interests	15,890	9,279	15,817	9,478
Total equity	2,746,756	2,738,283	2,692,003	2,684,206

* Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	30 June 2020 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	17,502,039	
Total loans and advances to customers	18,027,366	
Less: Provision for loan impairment under the weighted approach	19,733	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	9,389	X02
Less: Provision for loan impairment under the internal ratings-based approach	505,594	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	187,385	X04
Financial investments		
Financial investments measured at FVTPL	979,682	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	85	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	4,158	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	5,465	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	85,119	X08
Financial investments measured at FVOCI	1,498,520	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	7,422	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,520	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29

Item	30 June 2020 Balance sheet under regulatory scope of consolidation	Reference
Financial investments measured at amortised cost	5,756,602	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	1,489	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	36,307	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	22	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	27,642	X13
Other assets	304,225	
Interest receivable	2,037	
Intangible assets	19,971	X14
Including: Land use rights	16,367	X15
Other receivables	237,271	
Goodwill	9,128	X16
Long-term deferred expenses	3,877	
Reposessed assets	8,956	
Others	22,985	
Debt securities issued	726,613	
Including: Valid portion of tier 2 capital instruments and their premium	252,624	X17
Share capital	356,407	X18
Other equity instruments	206,132	
Including: Preference shares	119,469	X28
Including: Perpetual bonds	79,987	X32
Capital reserve	148,563	X19

Item	30 June 2020 Balance sheet under regulatory scope of consolidation	Reference
Other comprehensive income	(1,098)	X24
Reserve for changes in fair value of financial assets	26,297	
Reserve for cash flow hedging	(5,305)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,987)	X20
Changes in share of other owners' equity of associates and joint ventures	(374)	
Foreign currency translation reserve	(20,697)	
Others	(1,019)	
Surplus reserve	292,625	X21
General reserve	305,006	X22
Retained profits	1,421,369	X23
Minority interests	9,279	
Including: Valid portion to core tier 1 capital	4,079	X25
Including: Valid portion to additional tier 1 capital	751	X26
Including: Valid portion to tier 2 capital	1,310	X27

(iv) Main features of eligible capital instruments

As at 30 June 2020, the main features of the Bank's eligible capital instruments are set out as follows:

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4604	360011	1928018	360036
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital

Main features of regulatory capital instrument	Ordinary shares		Preference shares		Undated additional tier 1 capital bonds	Preference shares
	(A share)	(H share)	(Offshore)	(Domestic)	(Domestic)	(Domestic)
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB336,553	RMB168,374	RMB equivalent 4,542	RMB44,947	RMB79,987	RMB69,981
Par value of instrument (in millions)	RMB269,612	RMB86,795	EUR 600	RMB45,000	RMB80,000	RMB70,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	18 November 2015	26 July 2019	19 September 2019
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity Date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount	The First Redemption Date is 24 September 2024, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares	Redemption of present bonds in full or in part on each Distribution Payment Date since the First Redemption Date (30 July 2024). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer qualified as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Commences on the First Redemption Date (24 September 2024) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares

Main features of regulatory capital instrument	Undated					
	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Coupons/dividends						
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2021	4.5% (dividend rate) before 18 November 2020	4.45% (interest rate) before 30 July 2024	4.2% (dividend rate) before 24 September 2024
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	No	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	N/A	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	N/A	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	N/A	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	N/A	The Bank
Write-down feature	No	No	No	No	Yes	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	Full or partial write-down when an Additional Tier 1 Capital Trigger Event occurs; full write-down when a Tier 2 Capital Trigger Event occurs	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	Permanent write-down	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 14,053	RMB44,000	RMB44,000
Par value of instrument (in millions)	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 September 2015	06 November 2017	20 November 2017

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Perpetual or dated Including: Original maturity date	Dated 21 September 2025	Dated 08 November 2027	Dated 22 November 2027
Issuer call (subject to prior supervisory approval) Including: Optional call date, contingent call dates and redemption amount	No N/A	Yes 08 November 2022, in full amount	Yes 22 November 2022, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends Including: Fixed or floating dividend/coupon	Fixed 4.875%	Fixed 4.45%	Fixed 4.45%
Including: Coupon rate and any related index	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible Including: If convertible, conversion trigger (s)	No N/A	No N/A	No N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor; but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1928006	1928007	1928011	1928012
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Par value of instrument (in millions)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 March 2019	21 March 2019	24 April 2019	24 April 2019
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	25 March 2029	25 March 2034	26 April 2029	26 April 2034
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	25 March 2024, in full amount	25 March 2029, in full amount	26 April 2024, in full amount	26 April 2029, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.26%	4.51%	4.40%	4.69%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

10.2 Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	30 June 2020	31 December 2019
1	Total consolidated assets as per published financial statements	33,112,010	30,109,436
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(176,184)	(153,893)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	104,141	12,352
5	Adjustment for securities financing transactions	28,832	18,975
6	Adjustment for off-balance sheet items	2,186,540	2,010,844
7	Other adjustments	(15,725)	(15,500)
8	Balance of adjusted on- and off-balance sheet assets	35,239,614	31,982,214

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	30 June 2020	31 December 2019
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	31,888,096	29,507,681
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(15,725)	(15,500)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	31,872,371	29,492,181
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	86,637	74,843
5	Add-on amounts for PFE associated with all derivatives transactions	70,931	70,072
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(11,136)	(18,334)
9	Effective notional amount of written credit derivatives	64,740	32,286
10	Less: Adjusted effective notional deductions for written credit derivatives	(20,394)	(71,672)
11	Total derivative exposures	190,778	87,195
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	961,093	373,019
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	28,832	18,975
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	989,925	391,994
17	Off-balance sheet exposure at gross notional amount	5,437,627	5,025,875
18	Less: Adjustments for conversion to credit equivalent amounts	(3,251,087)	(3,015,031)
19	Balance of adjusted off-balance sheet assets	2,186,540	2,010,844
20	Net tier 1 capital	2,711,433	2,657,523
21	Balance of adjusted on- and off-balance sheet assets	35,239,614	31,982,214
22	Leverage ratio	7.69%	8.31%

10.3 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Second-quarter 2020	
		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		5,505,166
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	12,003,272	1,195,027
3	Stable deposits	80,989	2,799
4	Less stable deposits	11,922,283	1,192,228
5	Unsecured wholesale funding, of which:	13,931,031	4,633,916
6	Operational deposits (excluding those generated from correspondent banking activities)	8,356,302	2,036,466
7	Non-operational deposits (all counterparties)	5,486,812	2,509,533
8	Unsecured debt	87,917	87,917
9	Secured funding		12,014
10	Additional requirements, of which:	3,104,901	1,210,246
11	Outflows related to derivative exposures and other collateral requirements	1,048,765	1,048,765
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	2,056,136	161,481
14	Other contractual funding obligations	65,748	65,223
15	Other contingent funding obligations	4,356,394	124,401
16	Total cash outflows		7,240,827
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	1,498,354	1,040,663
18	Inflows from fully performing exposures	1,578,025	1,141,104
19	Other cash inflows	1,020,559	1,015,693
20	Total cash inflows	4,096,938	3,197,460
		Total adjusted value	
21	Total HQLA		5,505,166
22	Total net cash outflows		4,043,367
23	Liquidity coverage ratio (%)		136.32%

Data of the above table are all the simple arithmetic means of the 91 natural days' figures of the recent quarter.

10.4 Quantitative Information Disclosure of Net Stable Funding Ratio (NSFR) Using Advanced Approaches

		30 June 2020				
		Unweighted value by residual maturity				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	2,928,483	–	–	253,328	3,181,811
2	Regulatory capital	2,928,483	–	–	252,624	3,181,107
3	Other capital instruments	–	–	–	704	704
4	Retail deposits and deposits from small business customers:	6,460,795	6,003,765	33,587	9,445	11,263,064
5	Stable deposits	30,038	58,748	16,973	6,836	107,306
6	Less stable deposits	6,430,757	5,945,017	16,614	2,609	11,155,758
7	Wholesale funding:	8,847,924	6,091,162	371,885	288,180	7,465,560
8	Operational deposits	8,519,454	276,325	67,200	3,258	4,434,747
9	Other wholesale funding	328,470	5,814,837	304,685	284,922	3,030,813
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	9,258	1,066,356	40,993	524,749	471,974
12	NSFR derivative liabilities				82,529	
13	All other liabilities and equities not included in the above categories	9,258	1,066,356	40,993	442,220	471,974
14	Total ASF					22,382,409
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					795,765
16	Deposits held at other financial institutions for operational purposes	164,009	20,049	12,098	1,924	100,364
17	Loans and securities:	4,892	4,214,846	2,922,789	14,475,393	15,135,479
18	Loans to financial institutions secured by Level 1 HQLA	–	885,518	1,738	9,725	142,705
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,158,065	415,271	250,759	633,900
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,879,124	2,310,747	8,119,410	8,931,727

30 June 2020

		Unweighted value by residual maturity				Weighted value
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	373,094	465,052	245,109	569,271
22	Residential mortgages, of which:	–	1,231	2,053	5,442,035	4,624,219
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	600	607	17,393	12,233
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	4,892	290,908	192,980	653,464	802,928
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	389,264	399,796	24,925	543,579	1,222,376
27	Physical traded commodities, including gold	41,590				35,352
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				53,996	45,897
29	NSFR derivative assets				68,329	–
30	NSFR derivative liabilities with additional variation margin posted				93,275*	18,655
31	All other assets not included in the above categories	347,674	399,796	24,925	421,254	1,122,472
32	Off-balance sheet items				7,008,275	247,123
33	Total RSF					17,501,107
34	Net Stable Funding Ratio (%)					127.89%

(*) The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”.

No. Item	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year		
Available stable funding (ASF) item						
1	Capital:	2,959,556	–	–	253,371	3,212,927
2	Regulatory capital	2,959,556	–	–	252,662	3,212,218
3	Other capital instruments	–	–	–	709	709
4	Retail deposits and deposits from small business customers:	6,474,423	5,809,405	27,728	9,123	11,094,075
5	Stable deposits	35,746	41,551	13,756	6,984	93,484
6	Less stable deposits	6,438,677	5,767,854	13,972	2,139	11,000,591
7	Wholesale funding:	8,365,580	5,935,486	295,345	327,487	7,159,312
8	Operational deposits	8,072,525	271,734	52,675	2,745	4,201,212
9	Other wholesale funding	293,055	5,663,752	242,670	324,742	2,958,100
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	10,522	892,839	56,548	553,738	503,895
12	NSFR derivative liabilities				88,639	
13	All other liabilities and equities not included in the above categories	10,522	892,839	56,548	465,099	503,895
14	Total ASF					21,970,209
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					758,470
16	Deposits held at other financial institutions for operational purposes	155,146	19,994	15,043	1,705	97,059
17	Loans and securities:	4,829	3,744,078	2,544,530	14,162,131	14,619,155
18	Loans to financial institutions secured by Level 1 HQLA	–	573,995	2,455	8,517	95,167
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	975,681	185,078	237,584	477,300
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,899,263	2,135,678	8,016,031	8,770,968

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No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	311,447	450,710	247,217	531,482
22	Residential mortgages, of which:	–	1,261	2,060	5,287,683	4,493,161
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	614	631	17,764	12,690
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	4,829	293,878	219,259	612,316	782,559
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	383,961	443,537	20,321	545,714	1,270,786
27	Physical traded commodities, including gold	37,267				31,677
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				52,755	44,842
29	NSFR derivative assets				82,176	–
30	NSFR derivative liabilities with additional variation margin posted				101,071*	20,214
31	All other assets not included in the above categories	346,694	443,537	20,321	410,783	1,174,053
32	Off-balance sheet items				6,570,936	240,960
33	Total RSF					16,986,430
34	Net Stable Funding Ratio (%)					129.34%

(*) The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”

11. Issue of Results Announcement and Interim Report

This Announcement will be released on the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) simultaneously. The 2020 Interim Report prepared in accordance with IFRSs will be released on the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) and will be dispatched to the shareholders of H shares of the Bank. The 2020 Interim Report and its abstract prepared in accordance with PRC GAAP will be released simultaneously on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc-ltd.com).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

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

28 August 2020

As at the date of this announcement, the Board of Directors comprises Mr. CHEN Siqing, Mr. GU Shu and Mr. LIAO Lin as executive directors, Mr. LU Yongzhen, Mr. ZHENG Fuqing, Ms. MEI Yingchun, Mr. FENG Weidong and Ms. CAO Liqun as non-executive directors, Mr. Anthony Francis NEOH, Mr. YANG Siu Shun, Mr. SHEN Si, Mr. Nout WELLINK and Mr. Fred Zulu HU as independent non-executive directors.